

# Daily Report

## China

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30 September 1987

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## General

### Chen Muhua Discusses Reform's Success

OW300226 Beijing XINHUA in English 0207 GMT  
30 Sep 87

[Text] Washington, September 29 (XINHUA)—A top Chinese banking official told a gathering of finance ministers and central bankers here today that the Chinese Government will not change its policies of reform and opening and will carry out these policies "for many, many years to come."

Speaking at the afternoon session of the 42nd annual meeting of the World Bank and the International Monetary Fund (IMF) which opened here today, State Councillor and Governor of the People's Bank of China Chen Muhua said China has benefited greatly from reform and opening.

Since the adoption of these policies nine years ago, she said, China "has enjoyed political stability and unity, sustained and coordinated economic development, and enhancement of socialist democracy and of the legal system."

"Productive forces have been emancipated to a great extent, and the standard of living has improved markedly, with food and clothing problems largely solved for our population of one billion," she said.

"Experience has proved that the reform and opening have provided a powerful impetus to our work in all aspects," she said. "These policies have gained the full support of the mass of the people and shall not, and cannot, be changed," she declared. Chen told the delegates from about 150 countries that China now aims at improving the living standards of its people by quadrupling the country's GNP by the end of this century, and, despite numerous problems, China firmly believes that the goal is "attainable through persistent and arduous efforts."

"China is willing to cooperate with the rest of the world on the basis of the principle of mutual benefit in the fields of economic, trading and financing matters," she stated.

On economic problems facing the developing countries today, Chen pointed out that the international community has become "increasingly aware of the interdependence of nations' economic development and prosperity."

Therefore, she said, the industrial countries must provide necessary assistance to the developing countries and the assistance should be "mutually beneficial and promotive."

"After all, the industrial countries would not be able to develop further, and tensions and strife would remain a permanent part of the international economic situation if they seek only immediate self-interests and disregard the interests of the developing countries," she said. Chen urged the major industrial countries to intensify their efforts of policy coordination, to accelerate economic growth, eliminate external imbalances, pursue active and symmetrical economic adjustment and stabilize exchange rates.

She said that when formulating their economic policies, the major countries "need to bear in mind their responsibility to the international community and the impact they have on the interests of the developing countries."

On the international debt problem, Chen said that China believes the solution "lies in the economic development of the debtor countries," and "debtors, creditors, multilateral financial institutions and commercial banks should bear common responsibilities."

"The practice of servicing debt at the expense of development leads nowhere. What is more important right now is to find ways to alleviate the debt burdens of debtor countries with every possible means to at least allow them some breathing space," she said.

She called on the industrial countries to roll back trade protectionism, particularly measures against export products of developing countries, so that "conducive conditions can be created for the latter's expansion of exports, economic development, and the solution to the debt problem."

Chen praised the World Bank and the IMF for their past efforts in resolving the international debt problem and providing financing to the developing countries. However, she added, the roles of the two organizations "have not been brought into full play and there still are great potentials to be tapped."

She aired China's support for a general capital increase (GCI) of the World Bank enough to meet the requirements of the next six years and for increasing the funds for the IMF's structural adjustment facility (SAF) designed mainly to help the low-income debtor countries in Africa. She also called for early allocation of the IMF special drawing rights (SDR) which would enable developing countries to have increased access to short-term credits from the IMF.

Chen arrived here yesterday and will remain in Washington after the annual meeting until October 6 to meet officials of the U.S. Federal Reserve System.



## United States & Canada

**Wu Xueqian Calls for Better Sino-U.S. Ties**  
*OW300826 Beijing XINHUA in English 0816 GMT  
30 Sep 87*

["Chinese Foreign Minister Calls for Steady Growth of Sino-U.S. Relations"—XINHUA headline]

[Text] United Nations, September 29 (XINHUA)—Chinese Foreign Minister Wu Xueqian said today promotion of mutual understanding, removal of obstacles on the Taiwan question, and expansion of economic cooperation will contribute to "a sustained and steady growth" of Sino-U.S. relations.

Speaking at the U.S. Council on Foreign Relations in New York City, the Chinese minister stated that it had not been easy for the development of Sino-U.S. relations which "have traversed a complicated and zigzag course" to "reach the present scale and depth, and achieve such successes."

However, he said, relations between the two countries are still "far from where they should be, and obstacles remain in these relations."

He emphasized the need to improve mutual understanding between the two peoples to overcome the existing social, historical and cultural differences as well as the estrangement between them in more than two decades.

Talking of the misgivings by some Americans about China's struggle against bourgeois liberalization early this year, Wu said that the struggle "is mainly directed at a handful of people who advocate that China should take the capitalist road and be 'totally westernized.'"

"It is by no means directed at freedom and democracy, nor at the intellectuals, and still less at the Western countries," he added. To dispel the misunderstanding on China's birth control policy, the Chinese foreign minister noted that "it is a great challenge for us to handle the problems of food and clothing for one fifth of mankind with only 7 percent of the world's arable land."

Without a family planning policy, he continued, China could not "lift itself out of poverty and backwardness, nor could its people hope to lead a happy and prosperous life."

In his speech, the Chinese foreign minister cited the Taiwan question as "a major obstacle" in Sino-U.S. relations. "It is impossible to evade this question if Sino-U.S. relations are to move ahead on a steady and sustained basis," he stressed.

Wu urged the U.S. Government to "earnestly put into practice its 'one China' policy statement," and "put an end to any words or deeds aimed at creating 'two Chinas' or 'one China, one Taiwan.'"

He criticized the amendments passed by the U.S. House of Representatives recently on so-called human rights problems in Tibet and China as well as the bill concerning the Asian Development Bank approved by the House Appropriations Committee.

Those incidents of interference in China's internal affairs have hurt the national feelings of the Chinese people, and become a negative factor affecting the stable development of Sino-U.S. relations, so they must not be ignored, he said.

In his address, the Chinese foreign minister also called for increased cooperation between the two countries in the economic, trade and technological fields.

He said statistics showed that Sino-U.S. two-way trade amounted to 7.33 billion U.S. dollars in 1986 and the United States has become China's third largest trading partner. However, he added, the Chinese goods account for only a meagre 0.6 percent of the total U.S. import.

He called on the U.S. Government to "do away with its unfair treatment of Chinese goods bound for America and give them more access to the American market." "Only in this way will China be able to afford more American goods and will Sino-U.S. trade grow steadily," he stressed.

He said China welcomed American businessmen to do business and compete in the country by way of investment and running factories, because, he said, "From a long-term point of view, investment in China runs little risk and stands an excellent chance of a handsome return."

Referring to China's reform and open policies, he said, "These policies cannot and will not be changed" since they are already deeply rooted in the hearts of the people.

**Kissinger Fetes Wu Xueqian at New York Home**  
*OW290305 Beijing XINHUA Domestic Service  
in Chinese 0808 GMT 26 Sep 87*

[Text] New York, 25 Sep (XINHUA)—Former U.S. Secretary of State Dr. Kissinger hosted a family banquet this evening in honor of Chinese Foreign Minister Wu Xueqian, who was in New York to attend the 42d UN General Assembly sessions.

At the banquet, Foreign Minister Wu Xueqian answered questions concerning China's economic and political structural reform raised by American friends.

**Zhao Meets Outgoing Canadian Ambassador**  
*OW291300 Beijing XINHUA in English 1257 GMT  
29 Sep 87*

[Text] Beijing, September 29 (XINHUA)—Chinese Premier Zhao Ziyang met here today outgoing Canadian Ambassador Richard V. Gorham.

**NPC's Huang Hua Fetes Canada's Trudeau**  
*OW282030 Beijing XINHUA in English 1617 GMT*  
28 Sep 87

[Text] Beijing, September 28 (XINHUA)—Huang Hua, vice-chairman of China's National People's Congress Standing Committee, met and feted here this evening Pierre Elliott Trudeau, former prime minister of Canada, and his party.

The Canadian visitors are here as guests of the Chinese People's Association for Friendship With Foreign Countries.

**Northeast Asia**

**Nakasone Stresses Japan's One-China Policy**  
*OW291754 Beijing XINHUA in English 1457 GMT*  
29 Sep 87

[Text] Tokyo, September 29 (XINHUA)—Japanese Prime Minister Yasuhiro Nakasone reiterated today that there is only one China in the mind of the Japanese nation.

"No matter what storm happens," he told a visiting Chinese youth delegation, "we should go forward hand-in-hand" in accordance with the principles and spirit laid down in the Japan-China joint statement and the Japan-China Treaty of Peace and Friendship as well as other relevant documents.

He called on both the Japanese and Chinese people to unite in making contributions to peace in Asia and the world as a whole.

Chinese Ambassador to Japan Zhang Shu attended the meeting. The Chinese youth delegation arrived Sep 27 for a goodwill visit at the invitation of the Japanese Government.

**Leaders Mark Ties With Japan, Note Problems**

**Japanese Note Specifics**  
*OW291739 Beijing XINHUA in English 1543 GMT*  
29 Sep 87

[Text] Beijing, September 29 (XINHUA)—China gave a reception here this evening to mark the 15th anniversary of the normalization of Sino-Japanese relations.

Chinese leaders Tian Jiyun, Wang Zhen, Ji Pengfei, Huang Hua, Chu Tunan and Zhao Puchu were among over 500 Chinese and Japanese people attending the reception, which was given by the Chinese People's Association for Friendship With Foreign Countries and the China-Japan Friendship Association.

Speaking at the reception, Sun Pinghua, president of the China-Japan Friendship Association, said that the establishment of Sino-Japanese diplomatic relations 15 years ago opened a new chapter in the annals of Sino-Japanese relations.

"The normalization of relations between the two countries not only accords with the interests and desire of the two peoples, but has also contributed to peace and stability in the Asia-Pacific region," Sun said.

He noted that heartening progress has since been made in developing relations and exchanges between the two countries, especially people-to-people exchanges.

However, he said, "Some unpleasant things have also occurred." Under present circumstances, it is of even more importance that the two countries follow and safeguard the principles outlined in the Sino-Japanese joint statement and the China-Japan Peace and Friendship Treaty, which serve as a political basis for Sino-Japanese relations.

He called on the people of the two countries to oppose any words and deeds that violate the principles outlined in the statement and treaty, solve existing problems and avoid new ones.

After reviewing the development of the Japan-China relations in the past 15 years, Tokuma Utsunomiya, president of the Japan-China Friendship Association, pointed out that there is also a dark side to Japan-China relations.

The trial of the Kokuryo case over the ownership of a student dormitory in Kyoto, he said, is the result of a Japanese court's violation of the provision contained in the Sino-Japanese joint statement that there is only one China and Taiwan is an inalienable part of China, and the result of misunderstanding of relevant international laws as well.

Yoshikatsu Takeiri, supreme adviser to the Japanese Komei Party, said that the recent problems between Japan and China involve the understanding of history and political principles, adding that adhering to the principles and guidelines set in the joint statement and the Peace and Friendship Treaty is a prerequisite for solving these problems.

Shigeko Ohira, widow of the late Japanese Prime Minister Masaoshi Ohira, said that the Japan-China friendship constitutes a base in Japan's foreign affairs, and to Japan, China is an important friend, as her late husband said. She said that she would work hard to promote the Japan-China friendship.

**PRC Cites Generalities**

*OW291401 Tokyo KYODO in English 1344 GMT  
29 Sep 87*

[Text] Beijing, Sept. 29 KYODO—The Chinese People's Association for Friendship With Foreign Countries and the China-Japan Friendship Association held a reception here Tuesday evening to celebrate the 15th anniversary of the reestablishment of Sino-Japanese diplomatic relations.

The reception at the Great Hall of the People was attended by about 500 guests from both countries.

Chinese dignitaries present included Vice Premier Tian Jiyun, Wang Zhen, honorary president of the China-Japan Friendship Association, and former Foreign Minister Huang Hua.

Japanese guests included Tokuma Utsunomiya, president of the Japan-China Friendship Association, Yoshikatsu Takeiri, supreme adviser to the Komeito Party, and Shigeko Ohira, widow of the late Prime Minister Masayoshi Ohira.

Sun Pinghua, president of the China-Japan Friendship Association, delivered an address on behalf of the Chinese hosts.

Sun said in his speech that since the two countries signed a joint communique and opened a new page in their bilateral relations 15 years ago, these relations have achieved great development, although unpleasant things have also occurred.

Sun, however, made no specific mention of the unpleasant things, probably referring to such things as an Osaka high court ruling over the ownership of a Chinese student dormitory in Kyoto. In an ongoing court dispute, the Chinese side is appealing to the Japanese Supreme Court against an earlier ruling that awarded ownership not to China but to Taiwan.

Sun stressed the need to oppose any words and acts which impair the principles of the Sino-Japanese joint communique and the bilateral Peace and Friendship Treaty.

He urged continued efforts to prevent new problems from breaking out and to further develop bilateral goodwill relations.

**Radio Says PRC-Japan Ties May Be Impaired**  
*OW300323 Beijing in Japanese to Japan 0930 GMT  
28 Sep 87*

[Station Commentary: "Strive To Promote Healthy Development of Sino-Japanese Relations"]

[Text] It was on 29 September 1972, just 15 years ago, that China and Japan issued in Beijing a joint statement on the normalization of diplomatic relations and

opened a new page in the history of Sino-Japanese relations. In the past 15 years, overall development of bilateral relations has been smooth and favorable, and delightful results have been achieved in various fields. Six years after the issuance of the joint statement, the Treaty of Peace and Friendship was signed between the two countries, thereby laying the political basis for continuing the friendship from generation to generation and further promoting and strengthening bilateral relations.

At present, the governments and other departments of the two countries regularly hold various meetings and consultations; cabinet-level consultations have been held on five occasions. At the same time, the two countries have promoted economic cooperation based on equality and mutual benefit. This cooperation has brought mutual profits. The private-level exchanges between the two countries have also become very vivid. There have been great developments in the traditional friendship under new historical conditions. Facts indicate that further promoting friendly relations between the two countries is not only in line with the interests of the people of the two countries but is also of great significance in safeguarding stability in Asia and the Pacific as well as for world peace. Incidentally, Chinese leaders Mao Zedong and Zhou Enlai personally set forth, in their lifetime, the policy of maintaining friendly relations with Japan; they worked out measures and established friendly relations with Japan. Japanese friends in the political and private sectors also made persistent efforts over a long period to achieve the normalization of diplomatic relations between the two countries. The people of the two countries will never forget them.

However, in marking the 15th anniversary of the normalization of diplomatic relations, we cannot but express our regrets that some serious problems on principles, that have nothing to do with the difference in social systems, have emerged between the two countries. One of these problems concerns how to deal correctly with the tragic history of the past. Another concerns how to handle Taiwan-Japan relations.

China has persistently taken a positive approach toward past history. However, it does not mean that China will allow a very small number of the Japanese people to distort history or overturn facts about the aggressive war. On Japan's relations with Taiwan, the most serious problem today is the Kokaryo issue.

In essence, the Kokaryo issue concerns a judicial decision and it is an attempt to create two Chinas or one China, one Taiwan. If this issue, which concerns a significant principle of politics in Sino-Japanese relations, is not faced squarely or is not solved promptly, the friendly relations that have been established through various efforts would probably be impaired. In this connection, we hope that the Japanese Government will resolve the issue by taking appropriate measures that are



in line with the spirit and principles of the Sino-Japanese joint statement and the Peace and Friendship Treaty signed by the two countries.

Deng Xiaoping, chairman of the CPC Central Advisory Commission, has repeatedly stated, during his recent meetings with Japanese friends visiting China, that China will never change its policy of continuing its friendship with Japan from generation to generation. Moreover, the Japanese House of Councillors and the House of Representatives recently adopted a resolution on further promoting friendly relations between Japan and China. It can be said that Chairman Deng's remarks and the Japanese Diet's resolution reflect the voices and wishes of the Chinese and Japanese people. So let us, the people of the two countries, work hand in hand and strive anew for sound and smooth development of bilateral relations.

**Commentary on Japan's Defense Buildup**  
*HK290126 Beijing JIEFANGJUN BAO in Chinese*  
19 Sep 87 p 4

["Commentary" by staff reporter Cai Xiaohong (5591 1420 1347): "An Argument That Does Not Hold Water—Commenting on the Theory of 'Having No Choice' in Japan's 'Defense White Paper'"]

[Text] Japan's defense expenditure for 1987 has topped the ceiling of 1 percent of the GNP for the first time. This has received little applause but much criticism in domestic and foreign press. As a result, Japan made public its "Defense White Paper" on 28 August, in which it defended itself by saying: "The increase in defense expenditure for 1987 has been at the lowest level since 1960. However, because the nominal GNP also remains at a relatively low level, we have no choice but to exceed 1 percent of the GNP."

Does Japan really "have no choice" but to top the 1 percent ceiling for its defense expenditure?

In the past 2 years, the growth rate of Japan's GNP has been around 3 percent. Compared with the annual growth rate of 10 percent it once reached after the war, it has dropped a little. In the 1970's, however, Japan's economic growth rate was only around 5 percent and there was even a negative growth rate of 0.2 percent. Therefore, its economic strength was much inferior to what it is today. At that time, far from increasing the proportion of defense expenditures in the GNP, the Miki cabinet decided that the defense expenditures should not exceed 1 percent of the GNP and regarded this decision as a solemn pledge that Japan would not become a military power. This ceiling was confirmed and respected by the Fukuda, Ohira, and Suzuki cabinets. Why is it that, at a time when Japan's economic strength has expanded to an unprecedented scale, Japan should feel that it "has no choice" but to top this ceiling? Is it because of its expanded economic strength Japan can forfeit its pledge not to become a military power?

Another reason listed in the "Defense White Paper" to show that it "has no choice" is that the increase in this year's defense expenditures has been at the lowest level since 1960. This is also untenable.

"Nominally," Japan's defense expenditures over the years accounted for only 1 percent of the GNP but actually there was more to it than meets the eye. This is because the pension of Japanese soldiers has always been listed outside the defense expenditures. According to the method of calculating defense expenditures in other countries, Japan's had reached the high level of 1.5 percent before the 1 percent ceiling was topped. Take the year 1987 as an example. Japan's defense expenditures are 3,517.4 billion yen while the soldiers' pension is 1,668 billion yen, totaling over 5,000 billion yen.

There is another catch in the "Defense White Paper." It has kept silent about the actual growth of defense expenditures in government budget. Over the past 5 years, the Japanese Government budgets for culture, education, and other undertakings have been slashed. Only defense expenditure has constantly increased at an average progressive rate of 7 percent annually. Even U.S. Ambassador to Japan Mansfield held that no other country in the world has such a big growth rate in military expenditures.

Moreover, the appreciation of the Japanese yen has also greatly increased the U.S. dollar value of the defense expenditures. After increasing the defense expenditures to 1.004 percent of the GNP, Japan "nominally" ranks seventh in the world in terms of defense expenditures. However, because of various reasons, such as the appreciation of the Japanese yen, its defense expenditures have actually reached \$32.4 billion, ranking third in the world and second only to the United States and the Soviet Union. If this is a "low level," what is a "high level"?

At present, Japan has not only reached a high level in defense expenditures but its actual military strength has also grown to an unprecedented scale. By dint of enormous military allocations, the Japanese three self-defense corps have purchased large quantities of advanced weapons from the United States, including the F-15 fighters, "Hawkeye" AWACS aircraft, "Aegis" guided missile vessels, and "Patriot" guided missiles. Some time later, they will install super-visual radars which have a detection range of 3,000 km and which can spy upon things within Chinese and Soviet territories. Some people are even clamoring for the construction of aircraft carriers. A senior Pentagon official disclosed that by 1990 Japan will have the same number of crack fighter planes as the United States now has to defend its territory, and that the destroyers and anti-submarine aircraft owned by the Japanese navy will be three and five times what the United States has in its Seventh Fleet.

People cannot help asking: What criterion has the "Defense White Paper" adopted when it says it "has no choice"? Viewed from Japan's defense requirements, the ceiling of 1 percent for defense expenditures is sufficient. Many Japanese with foresight pointed out, with Japan gradually becoming a global economic power, some people's desire to turn Japan into a military power has gained ground. They attempted to shift Japan's state strategy from economic to military development. The recent practice of topping the 1 percent ceiling in defense expenditures is a trend meriting our attention.

Usually, limiting the defense expenditures to 1 percent of the GNP represents a big obstacle to arms expansion. Once the obstacle is broken through, there will inevitably be a second, third, and innumerable obstacles which Japan will "have no choice" but to "break through." In the future, it will be very difficult to have the self-control to prevent the unrestricted expansion of armament. Therefore, the key to the current issue does not lie in the increase of defense expenditures but in the word "break-through." It is of great political significance because it has dropped a hint for future arms expansion.

The "breakthrough" in defense expenditures comes from the "breakthrough" in Japan's defense strategy. The "Defense White Paper" holds that, in the last analysis, the significance of military strength lies in containing the enemy and directly preventing the enemy from using military force. It can also be turned into a political influence. Thus, the outer cover of the "exclusively defensive defense" strategy has been discarded. The "Defense White Paper" also makes a point of saying that topping the 1 percent ceiling on defense expenditures is a "rational policy" adopted in accordance with the "Medium-Term Plan for Strengthening the Defense Force." According to this plan, Japan has changed its previous "strategy of wiping out the enemy in the interior" into a "strategy of wiping out the enemy in the sea" and attached more importance to the question of "maritime operations." The new strategy has great flexibility. According to this strategy, Japan can annihilate the enemy either in Japan's territorial sea or at a great distance away. You can say that it is defensive but you can also say that it is offensive because the operational radius of Japanese troops has gone beyond their territory. Can this change in strategic idea also be regarded as something Japan has to do because it "has no choice"?

The "Defense White Paper" said: "The nationals should repeatedly and specifically discuss the defense issue in a constructive manner and reach a consensus in a down-to-earth manner." In fact, most Japanese already have a consensus. A survey of public opinion conducted by Japan's *Mainichi Shinbun* last February showed that 77 percent of the people opposed the decision on abolishing the 1 percent GNP ceiling for defense expenditures. They held that this decision "failed to extensively listen to the views of the citizens" and "violated the Constitution's spirit of pacifism." This is precisely the voice of the Japanese people.

**Ren Jianxin Meets Japanese Patent Group**  
*OW292316 Beijing XINHUA in English 1628 GMT*  
29 Sep 87

[Text] Beijing, September 29 (XINHUA)—Ren Jianxin, vice-president of China's Supreme People's Court and president of the Chinese group of the International Association for the Protection of Industrial Property (AIPPI), met and feted here this evening a delegation from the Japanese group of the AIPPI and another Japanese group here studying China's patent system.

**CPC's Hao Jianxiu Meets DPRK Delegation**  
*OW291148 Beijing XINHUA in English 1130 GMT*  
29 Sep 87

[Text] Beijing, September 29 (XINHUA)—Hao Jianxiu, member of the Secretariat of the Chinese Communist Party Central Committee, met here today a friendly delegation from the Workers' Party of Democratic People's Republic of Korea (DPRK).

The delegation is led by Kang Sun-hi, member of the Central Committee of the Workers' Party of Korea and deputy-director of the Light Industry Department of the Central Committee.

The Korean guests came to China September 16.

**Chon Tu-hwan's Successor No Tae-u**  
*HK281302 Beijing BAN YUE TAN in Chinese No 17,*  
10 Sep 87 pp 58-59

[Article by Qian Linji (0578 7792 1015): "No Tae-u, Successor to Chon Tu-hwan"]

[Text] Since the beginning of this year, South Korea's political situation has been turbulent and the cabinet has been reshuffled twice. Many leaders of the ruling Democratic Justice Party have been changed. The opposition party is so rent by disunity that personnel have been shifted out as though they were on a merry-go-round. However, a taciturn, smiling person enjoys an illustrious reputation and has gained ascendancy by becoming a successor to Chon Tu-hwan. He is none other than No Tae-u, chairman of the Democratic Justice Party, who has recently attracted worldwide attention.

On 2 June, just as the police were cruelly suppressing unarmed demonstrating students with tear gas and batons on the streets of Seoul, Chon Tu-hwan entertained the speaker of the "National Assembly" and the members of the Democratic Justice Party Central Executive Committee at Sangchunchae, Chongwatae. He publicly announced that he had officially recommended No Tae-u as the candidate for the Democratic Justice Party in the next presidential election. In the 40-year history of South Korea's constitutional government, this is the first time that an incumbent president has designated a presidential candidate. Chon Tu-hwan stated: "If we want to have social stability and national unity,



we need a person who will be responsible for state security and prosperity, who has the ability to command, and who is both reliable and physically strong. After consulting people from all walks of life and soliciting the views of party members, I hold that only No Tae-u can assume this heavy task."

In fact, No Tae-u conspired with Chon Tu-hwan long ago and pledged to set up a "Chon Tu-hwan regime without Chon Tu-hwan." At the Sangchunchae banquet, with tears of gratitude in his eyes No Tae-u said: "I am at a loss for what to do in the face of this historical mission. If this is fate, this is not only my fate but also our common fate. I hope you will give me your support and guidance." At an official meeting the next day, the Central Executive Committee of the Democratic Justice Party decided to hold a party congress to approve a presidential candidate. On the morning of 10 June, the Democratic Justice Party held a party congress at Sangsil Stadium, at which 7,309 delegates voted, approving by 7,269 votes No Tae-u as the single presidential candidate of the Democratic Justice Party in the next presidential election.

No Tae-u was born to a poor peasant family in Kongsan-myon, Talsong-gun, Kyungsang Pukdo, on 4 December 1932. After his father, No Pyong-chu, worked as a myon clerk, their livelihood began to improve. When he was 7, however, his father fell off his bicycle and died, leaving behind a gramophone, a flute, and a violin. That is why No Tae-u was able to play flute and sing when he was growing up. After his father's death, he was brought up and sent to school by his uncle, who at the time lived in No:theastern China.

In 1950, after he graduated from senior middle school at the age of 18, he wanted to study medicine. However, he entered the Taeku Military Police School when the Korean war broke out. In 1952, he entered the Army Noncommissioned Officers Academy, where he and Chon Tu-hwan became classmates of the 11th school term and started their acquaintance. In 1959, No went to the United States to study special warfare and psychological warfare. In 1966 he worked as the head of the anti-espionage section of the anti-espionage contingent. In 1968 he became commander of an infantry battalion of the capital division and later was sent to Vietnam as commander of the Tiger Battalion. In 1974 he worked as an operational assistant in the presidential guardroom. Since then, No and Chon Tu-hwan and Kim Pok-tong (No's brother-in-law), all three former students of the Army Noncommissioned Officers Academy, were highly regarded as Pak Chong-hui's "three guns." After Pak was assassinated in 1979, Chon Tu-hwan was pinned down at Chongwatae when he tried to seize power by staging a military coup. At that time, No Tae-u was commander of the 9th Division stationed in the suburbs of Seoul. Upon hearing the news, he commanded the 9th Division to surround the troops besieging Chongwatae and rescued Chon. Since then, the "rope of destiny" has firmly bound the two of them together. The next day, Chon Tu-hwan

appointed No Tae-u garrison commander for the capital and later appointed him security commander. After No retired with the rank of general in 1981, he served successively as the first minister of sports, minister of home affairs, and chairman of the Seoul Olympic Games Organization Committee. In the Democratic Justice Party, he served as chairman when Chon Tu-hwan entrusted him with full authority to handle party affairs. He received many awards, such as medals for protecting the country and achieving military accomplishments. We can thus see what outstanding meritorious services he has performed for Pak Chong-hui and Chon Tu-hwan.

On 5 August, the Democratic Justice Party held a meeting of the Central Action Committee, at which No Tae-u was elected party president and Chon Tu-hwan honorary president. South Korean commentators held that No's appointment as a presidential candidate meant that he had taken over one-third of the power from Chon Tu-hwan; his election as president of the Democratic Justice Party means that he has taken over two-thirds of the power from Chon Tu-hwan; and he will take over the remaining one-third in the near future. However, they also held that, after assuming power, No Tae-u will not find the going easy. He will surely face serious tests: The opposition party will probably launch large-scale demonstrations to evoke a mass revolution; right-wing soldiers unwilling to carry out reforms will also probably stage a coup d'etat; and he will be unable or unable to hold smoothly the Seoul Olympic Games. Even No Tae-u's close followers have said that No is a moderate and that it is still unknown how he will give scope to his political strength. Although he is big and tall, measuring 1.75 meters in height, his burden is still "excessive."

### Southeast Asia & Pacific

**Yunnan Border Guards Foil SRV Incursions**  
*OW290331 Beijing XINHUA Domestic Service*  
*in Chinese 1207 GMT 28 Sep 87*

[By reporter Li Shiyuan]

[Text] Yunnan Front, 28 Sep (XINHUA)—On the eve of National Day, commanders and fighters of Yunnan border defense units are braving wind and rain to hold fast to their positions. They vigilantly guard the motherland's southern territories, making sure the people in the border area can jubilantly celebrate National Day.

Since the beginning of September, the Vietnamese army has repeatedly launched provocations against our border areas, sniping, opening artillery fire, and making armed incursions on more than 60 occasions. In the 10-day period from 15 to 25 September alone, the Vietnamese army fired several thousand shells at our Malipo, Maguan, and other border areas, damaging large tracts of farmland and numerous houses. Our frontier artillerymen received orders to return fire and destroyed a number of enemy positions and installations.

From 11 to 20 September, the Vietnamese army six times shot at our rubber tappers on the banks of the Hong He. Our border defense fighters immediately fought back and protected the tappers' safety.

Since 21 September, the Vietnamese army has availed itself of the autumn winds and rain to repeatedly launch sneak night attacks and incursions against our forward positions in Laoshan, Balihe, and Dongshan. Our frontier fighters have stood at combat readiness to resolutely repulse these enemy attacks.

Over the past few days, our border defense units in Malipo, Funing, Maguan, Hekou, Jinping, and other places have organized squads to patrol the boundary river and thick forests, and closely follow the activity of the enemy facing us. The border defense fighters have also held campfire parties, poem and song recitals, and home front news report meetings on the front. They use various ways to express their deep feelings for the motherland.

**Philippine Congressmen Leave for PRC Visit**  
*OW281400 Beijing XINHUA in English 1213 GMT*  
*28 Sep 87*

[Text] Manila, September 28 (XINHUA)—A delegation of members of the Philippine House of Representatives led by Francisco Sumulong, majority floor leader of the House, left here today for Beijing to attend the celebrations of the 38th anniversary of the founding of the People's Republic of China.

This is the first delegation of the House of Representatives of the Philippine new Congress to visit China at the invitation of the Standing Committee of the National People's Congress of China.

In an interview with *Xinhua* upon his departure at Manila International Airport, Sumulong said, "President Corazon Aquino has requested us to convey to the Chinese Government her sincere desire to really visit China in the near future."

He added that the date of the visit has not yet been determined, because of the present domestic situation and the local election to be held in January 1988. "Any time after that election, I am sure she will be very glad to visit China," he said.

Sumulong said that he and his delegation will visit China to discuss trade and other matters to develop and improve the relations between the two countries.

Jose Conjuangco, Jr., deputy head of the delegation and younger brother of President Aquino, also told *Xinhua* that their China visit would provide "a chance for the new House of Representatives to get better acquainted and better familiar with the National People's Congress of China."

During their week-long stay in China, the Philippine congressmen, their family members and accompanying journalists will visit Xiamen and Beijing.

**Arrive in Beijing**

*HK291237 Beijing International Service in Tagalog*  
*1130 GMT 29 Sep 87*

[Text] A Philippine congressional delegation headed by majority floor leader Francisco Sumulong arrived in Beijing this morning at the invitation of the NPC Standing Committee. Welcoming the delegation at the airport was Fu Hao, a member of the NPC Standing Committee.

After a short rest, the delegation visited the Forbidden City this afternoon. During their stay in Beijing, they will visit factories, villages and some renowned scenic spots.

The delegation will leave Beijing for home on 2 October.

**Near East & South Asia**

**Ambassador to Jordan on Gulf Situation**  
*JN300910 Amman SAWT AL-SHA'B in Arabic*  
*30 Sep 87 pp 1, 22*

[By Musa al-Tarawinah]

[Text] Amman—PRC Ambassador in Amman Zhang Zhen has stressed the need to implement UN Security Council Resolution 598 to end the Iraq-Iran war.

In an exclusive statement to *Sawt al-Sha'b*, the ambassador said that the PRC has positively contributed to issuing this resolution. He added that the PRC considers the resolution an important basis for settling the conflict which has entered its 8th year. He stated that the PRC foreign policy calls for achieving peace throughout the world and for stopping the continuing wars between states. He said this applies particularly to wars taking place between neighboring countries such as the Gulf war which has been raging for 7 years between two Islamic states. Zhen said the continuation of this war would affect the region's security and would expand to affect world security. He pointed out that this region is one of the hottest regions in the world and this is why the PRC attaches extreme importance to it. The PRC ambassador pointed out that the PRC adopts a very strict neutral stand on this war and that it gives positive advice to the conflicting parties. He added that the PRC is doing a great deal to convince the warring parties to end the war. However, Zhang Zhen said that Iran's intransigent stand necessitates further efforts to end the war and achieve positive results in the interest of both parties.

The ambassador said that the PRC received Iranian delegations and explained to them the need to end this war. He said: In its capacity as a superpower, the PRC has played a great role in this regard. Zhang Zhen said there are rumors that the PRC has reservations on the

imposition of sanctions on Iran. He said that these rumors are baseless and that the best proof of this is the PRC's effective contribution to the UN Security Council resolution.

Regarding the PRC arms which arrive in Iran, the ambassador said that his country does not export arms to Iran but Iran purchases these arms from the international arms markets. He added that the PRC adopts a firm stand toward not exporting arms to Iran or supplying it with any type of PRC-made weapons.

Regarding the military presence in the Gulf, he said that the PRC does not agree to the increase of the military presence of any big power in the Gulf region. This would further complicate the situation in this part of the world and escalate tension there. He said: We want the big powers to intensify their efforts to avoid the escalation of tension and to achieve peace in the region. He added that the PRC attaches great importance to the safety and security of navigation in the Gulf, and that the PRC calls on the parties concerned to exercise self-control to stop all military activities in the Gulf.

Concerning the Middle East crisis, the ambassador said that the PRC's stand is firm and principled toward this crisis. The PRC will not establish official relations with Israel if it will not change its hostile and expansionist policy in the region. He stressed that the PRC strongly supports the holding of an international conference for peace to settle the Middle East crisis. He said the PRC appreciates His Majesty King Husayn's efforts in this regard. He said that the five permanent member states of the UN Security Council and the parties to the Arab-Israeli conflict, including the PLO, should take part in this conference. He said the possibility of holding this conference is now weak due to the intransigence of Israel and the United States.

On the Soviet-U.S. agreement to remove short-and medium-range missiles, the ambassador said that the PRC calls for the implementation of the clauses of this agreement and for removing all the short-and medium-range missiles from Europe and Asia.

On his country's relations with Jordan, he said these relations have witnessed a rapid progress, particularly after His Majesty King Husayn's visit to the PRC and the PRC president's visit to Jordan as well as the visits between senior Jordanian and PRC officials. He pointed out that Jordan and the PRC have common views on several political issues. He praised Jordanian-PRC relations, particularly concerning the increase of the trade, economic, and technological exchange between the two countries.

During the past 9 years, the PRC witnessed tangible progress in all fields, particularly after the 3d session of the 11th congress of the ruling party, when an open-door policy was adopted on the economic field and when a

plan was set to reform the economic and political systems in the PRC. The PRC has also witnessed great economic progress and greatly improved living conditions.

**Comments on Worsening Gulf Situation**  
*HK251136 Beijing RENMIN RIBAO in Chinese*  
25 Sep 87 p 6

["Jottings" by Sai Bei (1049 0554): "The Winds and Waves Are High in the Gulf"]

[Text] A U.S. Navy helicopter has attacked an Iranian ship allegedly because it was laying mines. Later, while a U.S. warship was towing the Iranian vessel, it fired a warning shot at an Iranian hovercraft. As a result of these actions, Iran has announced that it will retaliate against the United States. The situation in the Gulf has suddenly become tense, with the clouds of crisis getting increasingly darker.

This happened when the UN Security Council was studying the report on UN Secretary General Perez de Cuellar's trip to Iran and Iraq, and the current UN General Assembly had just opened. In addition, the U.S. call for a ban on arms shipments to Iran had grown louder. Meanwhile, President Khamene'i was attending the UN General Assembly in New York. The new development in the Gulf situation has left people with the impression that the United States is in a hurry to mobilize the international public against Iran. Therefore, the matter carries more political than military significance.

Since the Gulf situation worsened, Iran has not been reconciled to a show of weakness. However, it has been extremely careful in its actions. Like Iraq, it relies on its oil exports to keep the war going, but all its oil is transported by sea. Therefore, the maintenance of the smooth flow of oil through the Gulf is also of benefit to Iran. Since the U.S. started using convoys, U.S. warships and the oil tankers escorted by them have not been seriously challenged. This is not accidental.

As things already revealed show, Iran has not completely rejected nor accepted UN Security Council Resolution 598. The situation is delicate. Given these circumstances, to keep the Gulf situation from reaching the point of explosion, relevant quarters should do more work. For its part, the United States should especially exercise self-restraint and keep from acting recklessly. Recently, the United States and the Soviet Union agreed in principle on the elimination of medium-range missiles. This partial improvement in U.S.-Soviet relations is likely to be a factor restraining Soviet involvement in the Gulf. To protect their countries' oil tankers in the Gulf, many West European countries have cooperated with the United States by quickly sending warships there. The total number of Western warships in the Gulf presently totals around 80. This is likely to be taken as an indication of the West European countries' support and



approval of the U.S. military actions in the Gulf. Viewed this way, those who are anxious to extricate the United States from the Gulf dilemma may not refrain from using military means to solve the problem.

But in international disputes, the firing of the first shot is a very serious problem. The sound of firing will turn certain assessments of danger into stark realities, with a new readjustment in the composition of various political forces. The Gulf situation has inherent features peculiar to it. Thus, there is no telling which side will have its boat capsized in the tossing waves of the Gulf.

**New Ambassador to Egypt Presents Credentials**  
*OW292324 Beijing XINHUA in English 1917 GMT  
29 Sep 87*

[Text] Cairo, September 29 (XINHUA) — Newly appointed Chinese Ambassador to Egypt Zhan Shiliang presented his credentials to Egyptian President Husni Mubarak here today.

Following the presentation of the credentials, President Mubarak and the Chinese ambassador had friendly talks.

President Mubarak told the ambassador that there exist traditional friendship and full cooperation between Egypt and China and he asked the Chinese ambassador to convey his regards to the Chinese leaders.

**Nepalese Prime Minister Praises Relations**  
*OW252211 Beijing XINHUA in English 1933 GMT  
25 Sep 87*

[Text] Katmandu, September 25 (XINHUA)—Nepalese Prime Minister Marich Man Singh Shrestha said here today that Nepal-China relations have become exemplary today because they are based on the principle of co-existence, mutual trust, understanding, mutual interest and goodwill.

The prime minister made the remarks at a function to mark the 38th anniversary of the People's Republic of China at the city hall this afternoon, organised by the Nepal-China Friendship Society.

He said Nepal's wish is to foster relations of friendship and good neighborliness with neighboring countries. The exchange of visits by leaders of Nepal and China have contributed greatly to the development and consolidation of the ties, he said.

He appealed to all concerned to take full advantage of the present golden opportunity and make the friendship still stronger and fruitful.

Shrestha said the world community is praising the Chinese people for their hard labor to uplift their country as one of the most developed countries of the world, and that the Nepalese people are very pleased with the success of the friendly Chinese people in their efforts.

At the ceremony, the prime minister released a book entitled "*Kalakar (Artist) Arniko*" written by Satyamohan Joshi. Arniko was a Nepalese architect in the 13th century who toured China and contributed to some Chinese construction.

## West Europe

**Zhao Meets Swedish Industrial Delegation**  
*OW291438 Beijing XINHUA in English 1429 GMT  
20 Sep 87*

[Text] Beijing, September 29 (XINHUA)—China hopes to diversify and expand the Sino-Swedish cooperation, Chinese Premier Zhao Ziyang said while meeting with a Swedish industrial delegation here today.

China attaches great importance to developing cooperation with Sweden and is happy about the growth of economic and technical cooperation as well as trade between the two countries in recent years, the Chinese premier added.

"As a developing country," Zhao said, "China will always keep its doors open. We welcome Swedish entrepreneurs to invest in China and establish joint ventures with their Chinese counterparts."

He said that the overall investment climate in China is good in general and China enjoys political stability. Though its legislation on using foreign investment still needs improvement, China is making progress in this regard.

He noted that China is a potential market while Sweden boasts capital and advanced technology. The combination of Swedish capital and technology with China's cheap labor can turn out internationally competitive products.

Dr. Peter Wallenberg, head of the Swedish delegation and chairman of the Federation of Swedish Industries, said that his delegation is here to promote mutual understanding and trust as well as economic and technical cooperation between the two countries.

He said that Sweden hopes to do its part in China's economic development by helping train its technical personnel and promoting long-term cooperation between Swedish and Chinese enterprises.

**Offering Planned for London Bond Market**  
*OW261130 Beijing XINHUA in English 1103 GMT  
26 Sep 87*

[Text] Beijing, September 26 (XINHUA)—The Bank of China [BOC] will issue bonds of 200 million U.S. dollars on the London financial market to raise funds for China's petro-chemical developments, a bank official said here today.

It is the first time that China has entered the London financial market.

The bonds are in denominations of 10,000 U.S. dollars and 250,000 U.S. dollars and have a term of five years. They carry variable interest of one-sixteenth of one percent above the London inter-bank offered rate.

The bonds will be offered through the British banks — S.G. Warburg and Kleinwort, Benson Limited and more than 30 other foreign banks.

China's issue of bonds in the London market is made possible only after the Chinese and British Governments reached agreement last June on debt litigation left over from before the Chinese Revolution in 1949.

Over 50 foreign financial institutions had expressed interests in buying the Chinese bonds in London, sources said.

Li Yumin, vice chairman of the board of directors and vice president of BOC will lead a delegation to London to sign the issue agreement on October 9. The bonds will be offered for sale in the London exchange the same day.

**British Army Chief of Staff Visits Nanjing**  
*OW291435 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 27 Sep 87*

[Text] Last night, Guo Tao, vice commander of the Nanjing Military Region, and his wife (Peng Taobi) met General Nigel Bagnall, Army chief of staff of Great Britain, his wife, and their entourage at (Jinling) Hotel.

During the meeting, Vice Commander Guo Tao extended his welcome to the general, his wife, and their entourage on behalf of Commander Xiang Shouzhi, who was away. He said: Although China and Great Britain are separated by thousands of miles, our contacts are close. During the past few years, the intercourse between the armed forces of our two countries has been increasing steadily. This visit by the general and his wife brings along the friendship and affection of the British people and Armed Forces, and we are very delighted.

General Bagnall said: We are on a visit to Nanjing and are warmly received by the leaders of the Nanjing Military Region. The location of your military region, Nanjing, has many famous historical sites which impressed us greatly. Our visit indicates clearly that the friendship between the people and armed forces of Great Britain and China is deep and sincere.

Present at the meeting were (Zhang Shuyun), deputy chief of staff of the Nanjing Military Region; his wife (Wang Qiuyue); and (Wu Jichu), responsible person from the relevant department. The military attache of

the British Embassy in China, Colonel (Cliven), and his wife, who were accompanying the visitors during the visit, were present at the meeting.

General Bagnall and his wife arrive in Nanjing from Guilin by air yesterday afternoon.

**Lu Maozeng Leaves Beijing for Paris**  
*SK251149 Jinan DAZHONG RIBAO in Chinese 9 Sep 87 p 1*

[Text] At the invitation of the French Communist Party organ, "*L'Humanite*," Lu Maozeng, delegate of the Communist Party of China, alternate member of the CPC Central Committee, and deputy secretary of the Shandong Provincial CPC Committee, left Beijing on 8 September for Paris to attend the festival sponsored by "*L'Humanite*."

Zhu Liang, director of the CPC Central Committee's International Liaison Department, and Deputy Director of the International Liaison Department Li Shuzeng came to the guesthouse to see him off. Comrade Li Shuzheng also saw him off at the airport.

**East Europe**

**Deng Yingchao Meets Romanian Delegation**  
*OW292312 Beijing XINHUA in English 1416 GMT 29 Sep 87*

[Text] Beijing, September 29 (XINHUA)—Deng Yingchao, chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), met here today a delegation from the Romanian Socialist Democracy and Unity Front led by Iosif Uglar, vice-chairman of the front's National Council.

During the meeting, Deng expressed the belief that the Sino-Romanian friendship, and cooperation between the two peoples and the CPPCC and the Romanian front will be furthered.

She also congratulated the visitors on the achievements the Romanian people have made in their socialist construction under the leadership of President Nicolae Ceausescu.

Uglar said that the Romanian front is willing to promote its friendly cooperation with the CPPCC as well as the friendship between the Romanian and Chinese peoples.

Yang Jingren, vice-chairman of the CPPCC National Committee, and Uglar held talks here this morning, briefing each other on the work of their respective organizations.

The CPPCC National Committee hosted a dinner here this evening for the visitors, who arrived yesterday on a goodwill visit at the invitation of the CPPCC National Committee.



**Dalai Lama 'Slander' About Xizang Refuted**  
*OW301130 Beijing XINHUA in English 1117 GMT*  
30 Sep 87

[Text] Beijing, September 30 (XINHUA)—Unlike most other parts of the country, the people of China's Tibet Autonomous Region are being encouraged to increase their population.

And so they are.

An official of the State Nationalities Affairs Commission said here today the population has steadily increased over the past 30 years.

Today the region has a total population of 2.02 million, including 1.93 million Tibetans and 73,000 Han Chinese, the official said.

In 1982 the population was 1.82 million, and in 1953, 1.27 million.

The official described as a malicious attack and vicious slander rumours spread by the Dalai Lama currently visiting the United States that one million Tibetans have lost their lives in the past thirty years.

Noting that the policy limits one child per couple in China, the official said the state's family planning policy is strictly restricted to Tibetan government cadres and workers, and they can also be allowed to have two and even three children in special circumstances.

"Yet, these measures have never been applied to the average Tibetans," the official stressed, instead, they have been encouraged to increase population.

In order to help increase local population, local governments and health institutions at various levels have introduced good maternity and child care and scientific knowledge on child birth and better education.

Statistics show the average Tibetan man lives 60 years and the woman 65 years, much higher than in the 1950s.

Chinese average life expectancy is 68.9 years.

**Deng Stresses Political Restructuring**  
*OW291031 Beijing BEIJING REVIEW in English*  
21 Sep p 14, 15

[Article by Huang Chi: Why Deng Stresses Political Restructuring]

[Text] As the date for the 13th National Congress of the Communist Party China (CPC) approaches, the issue of reforms in the political structure to be discussed at the meeting has attracted much concern and attention.

Economic reform which began over eight years ago in China's countryside later spread to the cities. The reform, especially the rural production contract responsibility system, yielded significant results.

As the main initiator and leader of the reform, Deng Xiaoping pointed out at a meeting in December 1978, "If we do not carry out reform now, our cause of modernization and socialism will be ruined." Deng has since made it clear that this not only refers to economic restructuring but also includes political restructuring. At an enlarged meeting of the Political Bureau of the CPC Central Committee in 1980 Deng presented a special report entitled "On the Reform of the System of Party and State Leadership" (*Beijing Review* covered the main sections of this report in issue No. 32, 1986). It expounded the issue of political restructuring. In the past two years, Deng has repeatedly made more concrete and comprehensive statements on the issue and proposed that a basic blueprint for political restructuring be worked out at the 13th National Party Congress.

Why has Deng paid so much attention to the issue of political restructuring? A brief analysis of China's political structure over the past 30 years will give us a clearer understanding of the reasons.

**Defects [subhead]**

After the founding of the People's Republic on 1949, China instituted the socialist political system. Experience proves that this basic system is sound. The country had, in only 30 years, achieved progress that could not have been made in centuries and even millenniums in the old China. This progress has greatly narrowed the gap between China and developed capitalist countries in economic development.

But there are still many problems in major areas such as the system of Party and state leadership and the cadre system. The main problems are an overconcentration of power, the confusion of responsibility between the Party and government, the usurpation of government functions by the Party, the existence of a patriarchal system and life-long tenure of office by leading cadres.

The leadership system characterized by the highly centralized power of the Central Committee was, on the whole, the political system that began from the revolutionary period and continued through to the present. It suited the armed struggle and mass movement, but cannot satisfy the requirements for economic, political and cultural growth and diversity of social life. In a period of struggle with the enemy for political power, it was necessary to stress the system of centralized leadership. After the socialist construction began, however, tasks and problems faced by the people became more complicated. Total party control was not effective in solving problems, but rather weakened the organs of

political power and social organization. An over-concentration of power in the party committee usually developed into increased power for the first party secretary, and party leadership therefore gradually changed into individual leadership and inner-party democracy was replaced by a patriarchal system and arbitrary personal decision making. These defects, reflecting feudal influence, were important factors leading to the "cultural revolution."

Following the decade-long turmoil, much thought was given to ensuring that such a political tragedy as the "cultural revolution" would not be repeated, and to providing a guarantee of long-term stability and peace in China.

Deng offered a profound statement on this issue. He pointed out:

"It is true that the errors we made in the past were partly attributable to the way of thinking and style of work of some leaders. But they were even more attributable to the problems in our organizational and working systems. If these systems are sound, they can place restraints on the actions of bad people; if they are unsound, they may hamper the efforts of good people or indeed, in certain cases, may push them in the wrong direction.

Even so great a man as Comrade Mao Zedong was influenced to a serious degree by certain unsound systems and institutions, which resulted in grave misfortune for the Party, the state and himself. If even now we still don't improve the way our system functions, people will ask why it cannot solve some problems, which the capitalist system can. Such comparisons may be one-sided, but we must not just dismiss them on that account. Stalin gravely damaged socialist legality, doing things which Comrade Mao Zedong once said would have been impossible in Western countries like Britain, France and the United States. Yet although Comrade Mao was aware of this, he did not in practice solve the problems in our system of leadership.

Together with other factors, this led to the decade of catastrophe known as the 'cultural revolution.' There is a most profound lesson to be learnt from this.

I do not mean that the individuals concerned should not bear their share of responsibility, but rather that the problems in the leadership and organizational systems are more fundamental, widespread and long-lasting, and that they have a greater effect on the overall interests of our country. This is a question that has a close bearing on whether our party and state will change political colour and should therefore command the attention of the entire party."

These words of Deng as a Marxist statesman sum up his basic views on the need for comprehensively reforming the political structure to provide a guarantee for the successful development of the socialist cause and for the long-term stability and peace of China.

However, Deng also sees the urgent need for political restructuring in the interest of developing the socialist economy.

#### Political Restructuring [subhead]

During a meeting with an overseas friend in September 1986, Deng pointed out: 'As economic reform progresses, we deeply feel the necessity for changes in the political structure. The absence of such changes will hamper the development of productive forces and the success of the four modernizations.'

In the past while China's highly centralized mandatory planned economy was practised, the socialist commodity economy was neglected for a long time and therefore could not be fully developed. Today with the introduction of economic reform, socialist modernization is the major goal. This inevitably requires the vigorous development of a planned commodity economy and a change in the basic management methods from mandatory planning to guidance planning and indirect control. To realize this aim, it is necessary to reform government management systems and functions.

As Deng Xiaoping has pointed out, "Without political restructuring, it is impossible to protect the fruit of reforms in the economic structure and to continue its progress."

#### General Goal [subhead]

Deng's voluminous expositions on political restructuring can be summed up in three basic points:

1. The socialist system is successful in China; reform aims at consolidating and improving this system.
2. Productive forces must be fully developed so as to realize socialist modernization in China as quickly as possible.
3. Socialist democracy must be promoted so as to encourage people's so as to encourage people's enthusiasm for working towards socialist construction.

This is the general goal Deng has set down for political restructuring. The establishing of a democratic socialist political system which is compatible with the socialist commodity economy. [sentence as published]

Marxists maintain that the superstructure and the relations of production must suit the development of productive forces; conversely, advanced relations of production can promote the development of productive forces.

The development of China's productive forces in recent years calls for a change in the various socialist structures so that they will suit the development of productive forces.

That is an objective law governing social development. Why has Deng paid so much attention to political restructuring? The answer to this question lies in the need for China's economic development today and in the basic principle of historical materialism.

**Commentator on Cadres' In-Service Training**  
*HK291557 Beijing RENMIN RIBAO in Chinese*  
21 Sep 87 p 1

[Commentator's Article: "Do a Good Job in Giving In-Service Training to New Cadres"]

[Text] Since the beginning of the structural reform, a large number of new cadres have taken up leading posts at various levels. Most of these comrades are in the prime of life, with a higher educational background and more profound professional knowledge, great enthusiasm for building socialism with Chinese characteristics, and some strong points in meeting the requirements on leadership in the new historical period. The majority of them have scored accomplishments in their own posts. However, compared with veteran comrades, they have shorter standing as CPC members, with insufficient tempering regarding inner-party life, their experiences are rather basic, and they have not worked very long at their posts. It is still difficult for many of them to fully deal with the present complicated situation in their work. Therefore, to do a good job in giving in-service training to cadres, new cadres in particular, is an important link not to be overlooked in the building of leading bodies from now on.

The building of leading bodies at any level involves many aspects including readjustment and training. Readjustment means organizational strengthening, while training means improving cadres' qualities. Which aspect to stress is determined by the development of the objective situation and the progress in the building of the leading bodies. A few years back, the aging of leading bodies at all levels was universally making itself felt, thus a rather wide-ranging readjustment was conducted based on the situation at that time. Since then, the overwhelming majority of leading bodies has become relatively stable. Now that they are entering the stage of appropriate readjustment, completing and perfecting the organization, and improving the qualities, in-service training has become a pressing task in strengthening the building of bodies at the present phase. Organization and personnel departments should take a firm grasp in doing a job of in-service training, strictly based on the principle of training people prior to their taking up posts, then training them again in a planned way. New cadres should also take a correct and active attitude to their participation in training. They should prize the opportunity and study diligently to improve their leadership talents and

work abilities. By no means should they regard training as a stepping stone for promotion, nor should they regard being sent down to grass-roots units for the sake of tempering simply as "getting a good name."

New situations and problems continue to emerge in the practice of building socialism with Chinese characteristics. In-service training work must be based on the two basic points in the line since the 3d Plenary Session of the 11th CPC Central Committee. It should face the realities of building socialism with Chinese characteristics, be geared to the world and the future, guide the new cadres to emancipate their minds and broaden their vision, and help them appreciate the national condition—that China is still in the initial stage of socialism. In this way, their abilities may be improved in adhering to the four cardinal principles and to the principle of reform, opening up, and invigorating the domestic economy, and they may correctly handle all kinds of contradictions, and dispel both "leftist" and rightist interferences. We should also see that the social environment we are in has already changed from closed to open. It is necessary for us to actively import the advanced accomplishments in modern science, technology, and culture, while effectively guarding against and resisting the pernicious influence of Western decadent ideas. We should not stop our construction and reform in order to resist such pernicious influences, but link such resistance to construction and reform. When training new cadres, party organizations at all levels should by no means overlook helping them improve their abilities in handling problems in this category. In sum, it is necessary to guide new cadres to master the necessary professional and administrative abilities and pay attention to studying basic Marxist tenets and tempering in practice, so that they may adhere to the correct political orientation, and acquire staunch party spirit through tempering, and on this basis, improve their abilities in dealing with all kinds of situations as well as in analyzing and handling all kinds of complicated issues.

Strengthening leadership and exerting great efforts in organization are the important guarantee for doing a good job in the in-service training of new cadres. Party organizations at all levels should have a clear understanding of the guiding idea for in-service training, actively explore training approaches suitable for the situation and the times, and work hard to train up new cadres to be a generation of the best cadres for building the four socialist modernizations.

**Article on Mao's Philosophical Thinking**  
*HK290305 Beijing GUANGMING RIBAO in Chinese*  
14 Sep 87 p 3

[Article by Li Jingrui (2621 2529 3843): "In Study of Mao Zedong's Philosophical Thinking, it Is Necessary To Further Emancipate the Mind—Sidelights on the Fourth National Discussion Meeting on Mao Zedong's Philosophical Thinking]



[Text] "Linking philosophy with the practice of building socialism with Chinese characteristics and with the practice of reform and opening up" was one of the special features of the fourth national discussion meeting on Mao Zedong's philosophical thinking, which was held from 25 to 28 August to mark the 50th anniversary of the publication of "On Practice" and "On Contradiction" and the 30th anniversary of the publication of "On the Correct Handling of Contradictions Among the People."

Judging from either the theses received by the meeting or the situation in discussion at the meeting, this special feature was embodied. For example, judging from the theses, many comrades explored the relevant questions on the initial stage of socialism; at the group discussion and in the speeches at the meeting, many comrades engaged in useful debate on some of these questions. For instance, two different views emerged on the question of whether the initial stage of socialism had universality: One was that any social formation had a process of self-development, and socialism was no exception. So far as the unity of the generality and individuality of contradiction was concerned, the theory of the initial stage of socialism had a universal meaning, but the length of the initial stage in various socialist countries differed according to the different specific situations. The other view was that the initial stage of socialism was merely a characteristic of our country and was put forward in the light of the criterion of the four modernizations of our country and of the situation in the underdeveloped commodity economy. It was necessary to explore whether it had a universal meaning. Furthermore, for example, some comrades also explored the question of the sources and forms of expression of the current existence of contradictions among the people. They held that the economic source was the most profound source of contradictions among the people in socialist society. In addition, there were the sources of ideology and understanding. These sources cause the varied forms of expression of contradictions among the people: 1) Contradictions in the economic sphere between getting rich first and getting rich later, between a part of the people becoming well-off and the whole people becoming well-off, and between unfair distribution of means of consumption; 2) contradictions in the political sphere between adhering to and opposing the four cardinal principles, between leaders' bureaucratism and the masses, and between the defects of the current structure and democracy; 3) contradictions between unhealthy trends in the party and society and the interests of the people; 4) contradictions between decadent feudalism and capitalist thinking and socialist modernization; 5) contradictions between the individuals, collective, and state and so on. These contradictions are interwoven into a complicated system.

Another special feature of this meeting was to strive to adhere to the principle of seeking truth from facts and to make an impartial and scientific appraisal of "On Practice," "On Contradiction," and "On the Correct Handling of Contradictions Among the People." For example, some comrades penetratingly studied the relations

between the "two theories" and textbooks of the Soviet Union at that time, pointing out that it was necessary first to admit that the "two theories" had absorbed and utilized the positive fruits of the Soviet textbooks. For instance, "On Practice" absorbs the analysis of the two stages of the process of understanding, and "On Contradiction" absorbs the two views on development, the forms of all movements, the analysis of the peculiarity of the contradiction at every stage of development, and so on contained in a "book by Mitin." However, the "two theories" are by no means Chinese editions of textbooks of the Soviet Union. Their gist is to use the Marxist philosophical view to sum up the rich experiences in the Chinese revolution; they are on the whole permeated with the spirit of integrating Marxism with the realities of the Chinese revolution; and, on the basis of absorbing the positive fruits of the Soviet textbooks, they develop Marxist philosophical theory. Moreover, for example, some comrades published the view on "On the Correct Handling of Contradictions Among the People" that "On Handling" is another representative work of Mao Zedong's philosophical thinking, expounds the theory on the questions of the contradictions in socialist society, and occupies a very important position in the history of Marxist philosophy. It is, therefore, essential to fully affirm the value of its theory. However, it is also necessary to truly admit that apparently irrational, incorrect, and even self-contradictory points also exist in "On Handling." For instance, on the one hand, it holds that the socialist superstructure just built up and the economic foundation suit each other, but says that in the ideological field, the question of who conquers whom has still not been settled. This is obviously inconsistent. For another example, the "theory of continuing the revolution under the dictatorship of the proletariat" was repeatedly publicized during the "Great Cultural Revolution," but certain views can be found in this work; this is an undeniable historical fact. We can easily see from these two examples the practical and realistic attitude of researchers in Mao Zedong's philosophical thinking—and this frank attitude toward Mao Zedong's philosophical works was not seen at the several previous meetings.

Indeed, if we practically and realistically review this discussion meeting on Mao Zedong's philosophical thinking, it only initially and superficially touched the above-mentioned two aspects, particularly the first aspect—namely, linking the study of Mao Zedong's philosophical thinking with the practice of building socialism with Chinese characteristics and with the practice of reform and opening up—and it only touched upon and did not penetratingly delve into many questions that should have been explored and a large number of experiences that should have been philosophically summed up; many questions were not even touched due to various reasons; some comrades had misgivings and were not too bold in touching the practical questions but were content with the reiteration of outmoded and stereotyped expressions used many years ago. These appeared to be the defects of this discussion meeting.

Because of the above-mentioned views, the writer holds that the view that "the study of Mao Zedong's philosophical thinking must be geared to the needs of modernization, of the future, and of the world," which was proposed in the closing speech at this discussion meeting, is very timely. To gear the study of Mao Zedong's philosophical thinking to the needs of modernization, it is imperative to continuously change the method of study that divorces theory from practice, to penetratingly explore the questions in the course of reform and building socialist spiritual civilization, centered on the main subject of building socialism with Chinese characteristics, and to make a philosophical summation. To gear the study of Mao Zedong's philosophical thinking to the needs of the future, it is essential to study the strategy of China's socialist construction, the tendency and target of the development of modernization, and the questions of how to develop Mao Zedong's philosophical thinking in the course of practice. To gear the study of Mao Zedong's philosophical thinking to the needs of the world, it is necessary to extensively draw the latest fruits of the ideology and culture of all mankind, to have the whole world in view, and to study the position, characteristics, and role of Mao Zedong's philosophical thinking from the plane of the world, a large system. Only by so doing can we unremittably score new achievements and constantly push forward Mao Zedong's philosophical thinking.

**Social Scientist Urges Service Reform**  
HK300452 Beijing CHINA DAILY in English  
30 Sep 87 p 4

[By Wang Gangyi and Liang Chao]

[Text] Political reform will be one of the major items on the agenda of the 13th National Congress of the Chinese Communist Party, which will convene late next month in Beijing. China's social scientists are now working on tentative plans to assist the State Council in reshaping the government structure and cadre management system.

In an interview with *China Daily*, Tan Jian, deputy-director of the Institute of Political Science of the Chinese Academy of Social Sciences, discussed some of the major problems in the present cadre system and the possibility of establishing a new management system for government employees.

China's cadre system and government structure constitute the two most urgent issues to be dealt with by the political reforms, Tan said. Despite numerous provisional regulations, China lacks a comprehensive and detailed legislation on the management of its government employees.

The present recruitment practiced does not guarantee the selection of the most talented people on the widest possible scale to government posts, and the problem of laymen issuing orders to professional civil servants still remains.

Low incomes for civil servants do not reflect the socialist principle of "to each according to his work" and promotion is based on seniority rather than work performance.

The retirement system has not been fully institutionalized, and there are no set rules for giving rewards and punishment.

The reform of China's civil service, Tan said, should first start with new legislation, so that the reforms can have a legitimate basis. The new civil service should apply more effectively the principles of democracy, equality, openness and choosing the best.

Every citizen in the country has the right to be selected as a public servant. The selection process should be made open to everyone with the help of mass communication facilities, Tan said.

"I suggest recruitment be made by open competitive examinations, which should be coupled with entry qualification examinations," Tan said. Government institutions and all other organizations should encourage their most gifted employees to stand for the competition and no one will be allowed to interfere with someone who wants to take the examination.

Before people officially enter the civil service, they should have a probationary period to make sure that they are really qualified, Tan said.

Promotion should be by merit instead of seniority or personal relationship. Appraisal methods and standards must be scientifically regulated to guarantee fair promotion treatment to everybody, regardless of their age or educational background.

Similarly, Tan said, "I am in favour of a merit wage system, in which pay rises are given according to individual performance of civil servants."

The government should see to it that the increase rate of civil servants' wages is higher than that of the increase in the cost of living to ensure that the living standards of civil service workers does not decline. Moreover, their wages should be kept largely at the same level as those of employees in enterprises.

The training of civil servants is of strategic urgency in China, where only 16 per cent of its government employees have received a college education. Training programmes should be primarily aimed at developing greater professionalism among both specialists and



administrators, Tan said. A civil service college should set up to provide training courses in administration and management and a number of other subjects.

At the same time, the whole of society should be mobilized to facilitate the training programmes through various means, Tan said.

China should develop a grading structure in its civil service, with qualifications, responsibilities and authority of each government post clearly defined. A temporary responsibility system should be established to do this before it is replaced by the grading structure, Tan suggested.

Civil servants should be allowed to transfer from one government institution to another and they should also have the right to work on more than one job at the same time or to resign from their present job if they like, Tan said.

But the most important factor in reforming China's civil service is the promulgation of relevant legislation. The central government is now drafting a civil service regulation, which will direct the management of department of department employees under the State Council when it is completed.

Since reforming China's civil service is a complicated task, its success or failure will have an effect on other aspects of the country's general political reform. It therefore should be conducted in a prudent and gradual manner. Each step of the civil service reform should be first tried out in a limited number of institutions before it is extended to the whole country, Tan said.

**Initial Stage of Socialism Discussed**  
*HK300633 Hong Kong LIAOWANG OVERSEAS*  
*EDITION in Chinese No 38, 21 Sep 87 pp 5-6*

[Article by Chi Dao (6688 6670): "The Significance of the Assertion That China Is in the Initial Stage of Socialism"]

[Text] Building socialism with Chinese characteristics has been the program of action and fundamental practice of the CPC since the 3rd Plenary Session of its 11th Central Committee. The achievements China has scored over the last 9 years have proved that correctly understanding that China is still in the initial stage of socialism is of prime importance in building socialism with Chinese characteristics. This is also the true reason behind the discussion and study of the question about "the initial stage of China's socialism" by both theoreticians and concerned people from all quarters. This situation arose in the short space of several months following the call raised by Premier Zhao Ziyang at a Spring Festival meeting, held earlier this year, to seriously study what stage China was currently in.

**The Initial Stage Is the Summary of China's National Condition [subhead]**

China's historical experience indicates that to build socialism with Chinese characteristics, it is necessary to objectively understand and analyze China's basic national condition. The assertion that China is still in the initial stage of socialism is the major indicator that the Chinese Communists have soberly and conscientiously grasped China's basic national condition.

How to understand the development stages of socialism is an important issue that should be seriously solved by economically and culturally backward countries on the socialist road. Since all existing socialist countries were not founded on the basis of advanced capitalism as envisaged by Marx and Engels, they have all been confronted with the problem of how to understand the development stages of socialism in their own countries. If this question is not solved, it will be impossible to discover the correct path to building socialism in their own countries, and socialism could possibly suffer grave setbacks. This question is of special and important significance in China, because China's socialism emerged from the womb of a semi-colonial and semi-feudal society. This determines that the development stage of China's socialism is bound to be vastly different from that envisaged by Marx and Engels. Not only is China's socialist stage an extremely long one, but China's socialism will also undergo an elongated initial stage which Marx and Engels had not predicted. This is China's national condition. All construction undertakings in China should not be separated from this basic national condition. Otherwise, they will suffer setbacks and failures and the development of socialism will be artificially postponed.

The "Great Leap Forward" and the movement "to organize people's communes" characterized by the notion of "marching at the double to communism," which started in the late 1950's, caused 2 decades of economic stagnation in China. In view of this bitter historical lesson, Deng Xiaoping said: "Of all the many experiences we have lumped up, the one very important experience is to clarify what socialism is and how to build socialism." (the revised and enlarged edition of "Building Socialism With Chinese Characteristics," p 103) The adoption of the theory that China is still in the initial stage of socialism after the 3d Plenary Session of the 11th CPC Central Committee, involved daring to realistically acknowledge that China's socialism was still not up to standard. The so-called "not being up to standard" referred mainly to the fact that although the socialist economic system with public ownership of the means of production as the main body, and the political system of the people's democratic dictatorship had been established in Mainland China, China's socialist economic and political systems were still imperfect and underdeveloped because the socialization of the productive forces and the cultural level of the broad masses of people were still very low. Any attempt to develop and

perfect China's socialist economic and political systems at an accelerated rate by departing from this basic national condition is an unrealistic and idle dream. It must be said that the period from when we started to put an end to this backward situation to the basic completion of socialist modernization in China, belongs to the initial stage of socialism. This process will take at least 100 years and it will not do to complete that process in a shorter time. Of course, this stage is different from the socialist transition period during which the socialist economic foundation was not yet established and class struggle was still the principal contradiction. From this we can see that in considering problems and doing work in all fields, we must proceed from the basic national condition, namely, the initial stage of socialism. In building socialism with Chinese characteristics the most important task is to soberly understand that China is still in the initial stage of socialism. Only in that way can China's socialism develop smoothly.

#### The Basis for Formulating the Present Line, Principles, and Policies [subhead]

China's historical experience indicates that in building socialism with Chinese characteristics, there must be a correct line, in keeping with the present facts of the situation, as the guide. The theory that China is still in the initial stage of socialism is the fundamental basis for correctly formulating the basic line of building socialism with Chinese characteristics.

The specified historical conditions resulting from China's socialism determine that in building socialism in China, we should not indiscriminately copy the classical Marxist writer's general theories on the development of socialism. Nor should we apply the successful experiences of other socialist countries in a mechanical and oversimplified way. The correct approach must be to integrate Marxist theory with China's basic national condition and to objectively formulate the line, principles, and policies for China's socialism. In this regard China has made detours, major and minor. In the past we formulated some lines, principles, and policies disregarding our country's actual conditions by dogmatically and indiscriminately copying Marxist theory. These idealized socialism and were characterized by impatience for success and purity and have caused China's socialism to suffer repeated setbacks. The purpose of asserting that China is still in the initial stage of socialism is to correctly formulate our own line, principles, and policies in light of the realities in China. The reason: the notion recently advanced by the CPC Central Committee of "one center, two basic points" won the approval of the broad masses of people, is that it is the basic line drawn up according to the fundamental basis of China still being in the initial stage of socialism: a line in keeping with the objective reality. Since the principal contradiction facing China in the initial stage of socialism is the one between the people's ever increasing material and cultural needs and society's backward productive forces, we should take economic construction as the center and

concentrate forces on energetically developing society's productive forces in this stage of socialism; since China is a socialist society we should uphold the four cardinal principles in a clear-cut manner; and since in China an ossified economic structure obstructive to the development of productive forces and a political structure characterized by over-concentration of power that is congruous with the economic structure have taken shape under the longstanding "leftist" influence, we should persist in the general policies of reform and opening up to the outside world. Thus it can be seen that correctly understanding that China is still in the initial stage of socialism is the fundamental basis for adopting the line consisting of one center and two basic points, rather than other lines in building socialism with Chinese characteristics. The Premise of Guarding Against "Leftist" and Right Erroneous Tendencies [subhead]

China's historical experience also indicates that to build socialism with Chinese characteristics it is necessary to firmly surmount the "leftist" and right erroneous tendencies in the course of advance. The assertion that China is still in the initial stage of socialism is precisely the reliable premise of effectively guarding against and curbing the two erroneous tendencies.

Since the late 1950's "leftist" and right erroneous tendencies have repeatedly emerged in China, especially the "leftist" one. An analysis of the causes for the emergence of the two erroneous tendencies reveals that we mainly failed to gain a clear picture of the basic national condition that China is still in the initial stage of socialism. For example, some people argue that socialism was established in China "too early" and refuse to recognize that China is now a socialist society. They advocate that China should return to make up the missed lessons of capitalism. This argument is bound to lead to rightist mistakes. Others argue that China is not in the initial stage of socialism and instead is in a higher development stage. They advocate that China should practice pure socialism and cut the "tails of capitalism." This is bound to lead to "leftist" mistakes. Of course, with the adoption of the notion that China is still in the initial stage of socialism, under the trammels of some concepts formed in people's minds a long time ago, the "leftist" and right erroneous tendencies may often occur. It is particularly difficult to thoroughly correct the deep-rooted "leftist" things that have become habits and they can constantly manifest themselves to obstruct our construction and reform. Therefore, we must make sustained and unremitting efforts to struggle against the two erroneous tendencies. Only when we keep the basic national condition that China is still in the initial stage of socialism firmly in mind can we conscientiously formulate and implement the party's line, principles, and policies in the initial stage of socialism as a whole, and promptly remove both "leftist" and right obstacles to ensure the smooth development of China's socialist modernization program.

At the beginning of this year, Premier Zhao Ziyang pointed out: Clearly explaining in theory the question



that China is still in the initial stage of socialism will play an important, instructive role in bringing the superiority of the socialist system into play, working out correct reform propositions, planning correct strategies for economic development, and in building socialism with Chinese characteristics. By so doing, we can guard against both the right and the "left." This summary by Premier Zhao Ziyang is precisely where the whole meaning of the assertion that China is still in the initial stage of socialism lies. Therefore, seriously studying the question of theories concerning the initial stage of China's socialism is a task of top priority in building socialism with Chinese characteristics.

**Paper on Productive Forces, Socialism**

HK300651 Beijing LILUN YUEKAN in Chinese No 8,  
25 Aug 87 pp 46-49

[Article by Lu Junzhong (4151 0193 1813): "The Development of Productive Forces and Socialism"]

[Text] Two years ago, after studying the relevant expositions of Comrade Deng Xiaoping, I wrote an article entitled "Social Formation Includes Productive Forces" ("Lilun Yuekan" No 6, 1985). Raising an objection to such a popular viewpoint as "social formation is an integration of an economic basis and the superstructure," this article holds that to theoretically clearly understand that social formation includes productive forces is of great significance to understanding what socialism is and how to build socialism. However, some comrades say that they do not agree with my viewpoint, maintaining that social formation should not include productive forces. After studying the recent speeches of Comrade Deng Xiaoping, I deeply feel that the viewpoint that social formation includes productive forces is correct and should be upheld and further propagated. Therefore, I write this article to make some necessary supplements to the last one.

I

Because of overlooking the development of productive forces over the years, we've suffered big losses. Some comrades still remember that as a result of the influence of "leftist" thinking, even though we were suffering from the loss of being in a state of poverty, we still felt extremely lucky, believing that this was an expression of persisting in revolution and in keeping with the demands of socialism. Many people believed that only poverty can keep the true nature of socialism, as prosperity would engender capitalism. Furthermore, the "gang of four" drove the various "leftist" thinkings to the extreme. Brandishing the big stick of "criticizing the theory of stressing the unique importance of the productive forces," they labelled many comrades who actively grasped production as "capitalist-roaders." It seemed to them that "the development of productive forces" had already become a synonym for "the pursuit of capitalism."

Since the 3d Plenary Session of the 11th CPC Central Committee, our party has set to right things which have been thrown into disorder, negated the theory of "taking class struggles as the key link," realized a shift of the stress of work, and regarded the development of productive forces as the most fundamental task in the stage of socialism. At present, as the "gang of four's" criticism of the "theory of stressing the unique importance of productive forces" has already been thoroughly negated, many comrades do not believe now that the development of productive forces means the pursuit of capitalism. Nevertheless, the previous influence of "leftism" has not yet been completely eliminated and people are still not very clear about the relations between the development of productive forces and socialism. Meanwhile, some popular theoretical viewpoints are evidently telling people not to consider the factors of productive forces when getting to know socialism. Therefore, great efforts should be made to determine the relations between the development of productive forces and socialism.

In recent years, in many speeches Comrade Deng Xiaoping pointed out that poverty is not socialism and repeatedly stressed that people should not study socialism without regard to the development of productive forces. Recently, he also particularly pointed out that "To engage in socialism, there must be developed productive forces. Poverty is not socialism. We should uphold socialism. However, to further build a socialism which is superior to capitalism, we should, first of all, get rid of the poor socialism. Notwithstanding that we are also engaging in socialism, we are, in fact, not qualified. Only when China attains the level of the intermediately developed countries in the middle of next century can we say that we have truly engaged in socialism and justly and forcefully declare that socialism is better than capitalism."

This idea is very enlightening to people restudying socialism. I think that to engage in socialism we should not only uphold the socialist system but also vigorously develop the productive forces and place the development of the productive forces onto a position of utmost importance. Just as the socialist system is the essential characteristic of a socialist society, similarly the development of productive forces should also be regarded as an essential characteristic of a socialist society. Without the socialist system, of course we could hardly talk about the pursuit of socialism. However, if we do not strive to develop the productive forces and let them reach the necessary degrees of development after the socialist system is established, we can hardly say that we have truly engaged in socialism.

The productive force is the material basis for the existence of a society as well as the most fundamental motive force of social development. In the final analysis, a society at a certain stage of historical development is always determined by some productive forces. The primitive, slave, feudal, and capitalist societies are not only

characterized by the different social systems but also the productive forces at their different development stages. Exactly due to the productive forces at the different development stage, these social formations could possibly represent the most fundamental development stages in the human history. For example, if the capitalist society did not have productive forces higher than those of the feudal society, it could not have possibly replaced feudal society nor have existed as a social formation higher than feudal society. Therefore, when we say that the communist society is higher than the capitalist society, this is exactly because the communist society has higher productive forces and is far ahead of capitalist society. Otherwise, it can not replace capitalist society to become the highest and most progressive social formation in human history. Therefore, without the highly developed productive forces, there will not be a communist society. Aren't the highly developed productive forces an essential characteristic of the communist society? Who could deny that it is the most important criterion of the communist society?

As the initial stage of the communist society, the socialist society should, of course, reflect its characteristics and standards in the aspect of productive forces. Since socialist society belongs to a social formation higher than that of capitalist society, its advantages should be reflected not only in the aspects of the social system and socialist spiritual civilization but more importantly in the aspect of the productive forces, so as to make the productive forces develop faster and to a degree higher than those in the capitalist society. If the socialist society can not reflect any strong points and does not possess any attractions at all, how can it demonstrate itself to belong to a social formation higher and more progressive than the capitalist society.

The state of the development of productive forces is not only an essential characteristic of the social formation, but also a main basis for classifying the different development stages of a social formation. The fundamental reason for the socialist society to be the initial stage of the communist society is that its productive forces have not yet attained a high degree of development. Saying that our country is still in the initial stage of socialism is certainly because our country's socialist system is not yet very perfect. More importantly, this is a result of the underdeveloped productive forces. Therefore, we all admit that the underdeveloped productive forces is a main characteristic of the initial stage of socialism under the socialist system.

## II

The main defect of the viewpoint that "social formation is an integration of the economic basis and the superstructure" is to understand the social formation regardless of the productive forces. Viewing socialism from this viewpoint, the socialist society would become an integration of the socialist economic basis and superstructure. We all know that the economic basis means that the

production relations occupy a dominant position in a society and does not include the productive forces. Therefore, this kind of "integration" does not have a place for the productive forces. Nevertheless, we can say that this viewpoint is not totally wrong, as it is correct in stressing the differences between social formations are the economic basis and superstructure. However, this viewpoint is one-sided and not correct in excluding productive forces from the qualitative specification of social formation.

This viewpoint of "integration" encourages people not to pay attention to productive forces but to immerse themselves in economic basis and superstructure to understand socialism. Therefore, people would readily have a misunderstanding: to study a socialist society it is sufficient to pay attention to the economic basis and superstructure regardless of the aspect of productive forces; and the criterion for judging socialism depends completely on the economic basis and superstructure and has nothing to do with the development of the productive forces. It seems that as long as the socialist system is established, we can be counted as engaging in socialism and qualified to do so even though we do not develop productive forces and improve the people's livelihood. In other words, as long as the socialist system is set up, even poverty does not matter, because poverty is not only socialism but also acceptable socialism. As a result, although this viewpoint can certainly help people make a clear distinction between socialism and capitalism, it is unable to guide people in making a clear distinction between the advantageous and attractive socialism and the poor socialism.

Over a period of many years in the past, we overemphasized the economic basis and superstructure, or overemphasized the production relations and ideology to the neglect of the decisive role of productive forces. As a result, this state of affairs would inevitably be reflected in theories, one of which is to exclude productive forces from social formation. Because of overlooking the role of productive forces, it is natural for people not to consider the aspect of productive forces in understanding socialism. However, it is different now. Since the 3d Plenary Session of the 11th CPC Central Committee, in particular over the last few years, people have come to understand that poverty is not socialism and that the viewpoint of studying socialism regardless of productive forces is doubtful. Notwithstanding that this viewpoint could make people feel reasonable in the past, people now can notice its obvious loopholes. Unfortunately, the propaganda tendency of this viewpoint in the theoretical circles has not yet shown any sign of weakening but is still regarded as a fundamental viewpoint of historical materialism and quoted in the numerous philosophical textbooks and dictionaries. It seems that this "integration" is unchangeable. Obviously, this is an example of theory lagging behind practice. As some comrades are used to using the quotations of the classical writers in an effort to explain that social formation does not include



productive forces, we can also quote some other assertions of the classical writers to explain that social formation includes productive forces. Therefore, it is important not to just simplistically quote the the classical writers but to completely and accurately understand their thinking. Moreover, even though the classical writers never said that social formation includes productive forces, shouldn't we go beyond the bounds and get a new understanding in the light of the practical development?

### III

Theoretically, the viewpoint that "social formation is an integration of economic basis and superstructure" has an error: to completely equate the two concepts of "social system" and "social formation." Undoubtedly, these two concepts have very close relations and share many essential things in common. However, they are not of the same connotation.

As people all know, a "social system" includes the economic, political, and cultural systems of a society. The so-called economic system of a society refers to the production relations occupying a dominant position in the society, namely, the economic basis. The so-called cultural system of a society refers to the ideological superstructure like morality, art, philosophy, and so on that are determined by economic bases. ("Culture" here means the culture of ideology reflecting economic bases.) As far as the socialist system is concerned, it is an integration of socialist economic basis and superstructure.

The viewpoint that "social formation is an integration of economic basis and superstructure" seems to have committed the mistake of "putting Zhang's hat on Li's head," or putting the "hat" of "social system" on the "head" of social formation.

What is a "social formation?" To study this issue, we'd better restudy a passage of the Report to the 12th National Congress of the Communist Party of China:

"In the past, when referring to the characteristics of socialism, people laid stress on the elimination of the system of exploitation, public ownership of the means of production, distribution according to work, planned and proportionate development of the national economy, and political power of the working class and other working people. They also laid stress on another characteristic of socialism, the high development of the productive forces and a labor productivity higher than that under capitalism as both a necessity and the end result of the development of socialism. All this is undoubtedly true, but it does not cover all the characteristics. Socialism must possess one more characteristic, that is, socialist spiritual civilization with communist ideology at its core."

The socialist characteristics mentioned here include the characteristics of the social system, or the economic basis and superstructure, as well as the other characteristics such as characteristics of productive forces and some characteristics of the socialist spiritual civilization (the socialist spiritual civilization does not all belong to the socialist superstructure.) Obviously, these characteristics have already exceeded the scope of economic basis and superstructure. However, we also unanimously agree that all these characteristics are the socialist characteristics. In other words, we should regard all these characteristics as the characteristics of the socialist social formation, or the characteristics of a socialist society, because only social formation can include all these characteristics.

"Social formation" is characterized by a society at a certain stage of historical development and is an organic social entity including productive forces, economic basis (production relations) and superstructure. (Please see my works "Social formation includes productive forces" for details)

Social formation includes social system with economic basis and superstructure. Social system is a direct basis for classifying the different social formations, of which the social economic system is a most important one directly regulating the nature and state of a society. Therefore, what the social system is, in particular what the social economic system is, also determines what the social formation is. For example, in 1956 our country set up a socialist system, marking the fact that our country has entered the socialist society. Therefore, determining that the productive force at a given development stage is the nature and standard of the social formation does not mean to negate that the social system is the nature and standard of the social formation. On the contrary, we should organically combine these two, because they are integrated in the social formation and inseparable. If we say that it is social system which directly regulates the nature of social formation, it is the productive forces which ultimately decide the social system. Therefore, we should also say that productive forces can ultimately determine the social system as well as the social formation and believe that it is through the social system that productive forces decide social formation.

Notwithstanding that a certain social system represents a certain social formation, it does not mean that "social formation" and "social system" are completely of the same concept. Defining the socialist society, some text books and dictionaries simply say in a straightforward way that the socialist society is a social system based on the socialist production relations, or that the socialist system is the basis for the socialist society. Excluding production forces from social formation, these viewpoints are not very correct. Although social formation embraces the social system, it is not just confined to the social system, as its connotation is more extensive. Social formation possesses not only the characteristics of the social system, or the characteristics of economic



basis and superstructure, but also the characteristics of productive forces as well as the other necessary characteristics. Therefore, it is extremely necessary to study socialism as a social system. Nevertheless, this is not sufficient. It is imperative to further study socialism as a social formation, so as to master all the characteristics of socialism and not to exclude the development of productive forces from the characteristics of socialism.

Why did the people in the past only consider socialist public ownership, distribution according to work, the proletarian state power, and so on in judging socialism, but did not or seldom gave any thought to the characteristics in the aspect of productive forces? One of the reasons is that people believed that in theory socialism is the socialist system and the characteristics of socialism can only exist in the economic basis and superstructure. Due to this understanding, people would not possibly pay any attention to the development of productive forces in studying socialism. Undoubtedly, by affirming the nature and standard of socialism in the aspect of productive forces, we do not intend to classify productive forces as the socialist productive forces and non-socialist productive forces. Just as we said above, productive forces are not included in the social system. The nature of social system can be feudalistic, capitalist, socialist, and so on, but the nature of productive forces are not. Therefore, people should not give them labels of a certain class and nature.

It is of important practical significance to theoretically determine that the development of productive forces is the essential characteristic of socialism that should not be overlooked. It can help people understand that the development of productive forces is the fundamental task at the stage of socialism. By mastering this theory, people will not regard the development of productive forces as well as the policies and measures which are conducive to the development of productive forces as non-socialist and negate them.

In sum, the productive force, economic basis, and superstructure are the three most fundamental areas of social formation, reflecting a series of main characteristics as well as the true nature of social formation. To build socialism with Chinese characteristics, we should both persist in and perfect the socialist system and concentrate on the development of productive forces. Moreover, we should uphold both the four cardinal principles and the policy of carrying out reform, opening up to the outside world, and invigorating the domestic economy. By doing so, we must be able to build a socialism superior to capitalism.

**Army Paper Answers Questions on Reform**  
*HK300309 Beijing JIEFANGJUN BAO in Chinese*  
16 Sep 87 p 2

[Article supplied by the Political and Propaganda Departments of the Guangzhou Military Region: "Answers to Several Questions Concerning Reform and Opening Up"]

[Text] Editor's note: To implement the spirit of the directives of leading comrades of the central authorities on stepping up the mass media publicity of reform and to do a good job in the publicity of, and education in, the two basic points of the line of the 3d Plenary Session of 11th CPC Central Committee, the Theory Study Offices of the Political and Propaganda Departments of the Guangzhou Military Region collected and sorted out 60 questions concerning reform and opening up which had been posed by cadres and fighters and wrote out the main points of the answers to these questions. We select and publish three of these questions in the hope of arousing even greater enthusiasm in all people for the study of the questions concerning reform, opening up, and invigoration. [Editor's note ends]

**Question:** The key to judging whether a social system is superior or not lies in judging the state of the economic development of this society. However, in this aspect, our country and other socialist countries cannot equal developed capitalist countries. How can we prove the superiority of the socialist system?

**Answer:** The state of economic development is a concept with broader connotation and includes both the level of economic development and the speed of economic development and future tendency.

So far as the present level of economic development is concerned, compared with developed capitalist countries, we are far inferior to them in many aspects. However, such backwardness is not the fault of the socialist system itself but has been caused by history. While the Western countries entered a period of the prosperous development of capitalism, our country was in a dark semicolonial and semifeudal society, was plundered by imperialists, and was exploited by the landlord class and bureaucrat-capitalist class and China's economy was nearly caused to collapse thoroughly. When new China was founded, our country's output of steel was only 158,000 tons, the industrial output value accounted for only 10 percent of the gross national product, and the national income per capita was only \$28 a year while the per capita income of the United States at that time already reached \$1,746, 62 times greater than that of our country; of Britain \$687, 25 times greater. As our starting point is so low and have unfavorable conditions, such as large population and little arable land, it is unrealistic to attempt to catch up with the level in a short period of some 30 years which it took the Western countries 200 to 300 years to reach. It is, therefore, unscientific to use the present level of economic development to judge whether a social system is good or bad, disregard of historical conditions.

What can be used as a criterion for measuring whether a social system is superior or not is the speed and tendency of economic development. In the past 30-odd years, the speed of the economic development of our country has been far higher than that of developed capitalist countries, the annual average rate of increase in industry has

exceeded that of developed capitalist countries by about 100 percent, and our country has built up a relatively complete system of the national economy in a relatively short time. Gross output of the main industries and agricultural products, including grain, cotton, raw coal, petroleum, iron, and steel, is in the world front ranking and we have relied on our own strength to basically guarantee the needs in food and clothing of the whole population, which accounts for 22 percent of the population of the world. Such a speed and such achievements have won the admiration of the people in the capitalist countries.

Regarding the tendency of development, for a relatively long time in the future, the capitalist economy will still develop. It is not impossible that a relatively great momentum in development will emerge in a small number of countries in a certain period of time. However, on the whole, with the capitalist production relations, productive forces can hardly develop. In recent years, the ruling groups of developed capitalist countries have readjusted the production relations and looked for a way out. But they have not had many methods and have had too many things to take care of at the same time. Restraint of inflation results in a high unemployment rate and reduction of taxes and stimulation of investment in a big increase in government deficit. Contrary to capitalism, as a new kind of productive force, socialism opens up vast vistas for the development of productive forces and has limitless potential. Various defects and troubles also exist in socialist countries. This is not because the socialist system is bad. It is just because we do not sufficiently understand socialism and act according to the objective law of the development of the socialist society. We must believe that so long as we adhere to socialism, reform, and opening up, the economy of our country will surely develop even faster and the superiority of the socialist system will be revealed even more fully.

**Question:** The basic characteristics of socialism are public ownership and distribution according to work. Is it a retrogression if we now develop many kinds of economic sectors and implement many forms of distribution?

**Answer:** The basic economic characteristics of socialism should be public ownership and distribution according to work. But the forms these two characteristics adopt in practice are restricted by the level of the development of productive forces. It does not mean that as soon as the socialist system is established, these two characteristics are perfectly embodied. Our party has summed up and drawn on historical experiences, deepened understanding of socialism, and come to the conclusion that socialism entails a very long historical development process and must undergo several stages of development, and that our country is now still at the initial stage of socialism. The basic economic characteristics at this stage are:

First, the principal position of socialist public ownership has been established but the level of productive forces is still very low. Under the premise of public ownership as a principal part, we are, therefore, required to develop many kinds of economic sectors. These include individual, private sector, stockholding, and Sino-foreign joint venture economies. These economic sectors have some nonsocialist factors but their proportion in the national economy is not big and they will not affect the principal position of the socialist public-owned economy.

Second, in correspondence with the level of the development of productive forces, with many kinds of economic sectors, and with many forms of operation and under the premise of adhering to distribution according to work as a principal part, we can also adopt other forms of distribution. These forms include distribution according to the achievements in operation, according to investment, and according to the risk and income of the lessees. This is beneficial to arousing the enthusiasm of all quarters and overcoming the drawback of "eating from the same big pot."

Third, the socialist commodity economy has vigorously developed and under the target of becoming well-off together, a part of the people have been encouraged to get rich first.

In the 9 years after the Third Plenary Session, in the light of the realities of the initial stage of socialism, the party and state have adopted these effective measures for economic reform, vigorously promoted economic development and the prosperity of the market, and improved the people's living standard. Practice proves that in doing so, it is not retrogression but advance.

**Question:** Why should we ask capitalism for help when we embark on socialist modernization?

**Answer:** It is wrong to regard opening to the outside world as "asking capitalism for help."

Today's world is an open world, modernized large-scale production has made all countries in the world keep closer ties with one another, the resources required for modernized production are more extensive, and technology required more complicated. Countries with even more abundant resources and even more developed technology can hardly possess all resources and advanced technology required and must help supply one another's needs and learn from others' strong points to offset their weaknesses. To realize modernization, we must be good at utilizing the international conditions. Whoever can utilize them well will develop quickly. During the Second World War, the United States took the opportunity to recruit a large number of scientists and technologists and adopted policies to encourage export. This played an important part in developing the U.S. economy. In 1932 alone, the Soviet Union employed some 20,000 foreign experts and technologists through advertisements. The Japanese people have

attributed their economic achievements to opening to the outside world. A large number of facts prove that only by opening to the outside world can we realize economic modernization.

We started on the foundation of an extremely backward semifeudal and semicolonial society and our original material and technological foundation is very poor. As we are now embarking on modernization, we are confronted with a series of questions, including backward science and technology, insufficient funds, and lack of experiences in management. It appears to be even more necessary and urgent for such a country as ours to implement the policy of opening to the outside world, to fully absorb all outstanding fruits of all countries in the world, and to fully utilize all funds, technology, and resources that can be utilized. Therefore, Comrade Deng Xiaoping said: "We cannot succeed in construction with our doors closed and be divorced from the world in the development of China."

We regard opening to the outside world as our national policy on the basis of the demands of modernized large-scale production and of the basic national conditions of our country. So far as "help" is concerned, capitalist countries are willing to make investment and to run enterprises and factories in China because they want to make profits, which are not lower than the average rate of profits and we cannot say that this is help. The science, technology, and experiences in management of capitalist countries have no class nature by themselves. When we make efforts to study and master these things and make them serve us, we cannot say that "capitalism helps socialism."

**Army Paper on Proper Attitude Toward Reform**  
*HK290609 Beijing JIEFANGJUN BAO in Chinese*  
15 Sep 87 p 3

[Article by Ning Hongyu (1337 3136 1342) and An Jiatan (1344 1367 0982): "Look at the Achievements and Problems of Reform Dialectically"—boldface as published]

[Text] **A series of major breakthroughs has been made in reform. Full of confidence, we should strive to win new victories.**

Following the 3d Plenary Session of the 11th CPC Central Committee, China entered a new historical stage of all-round reform. Over the past 8 years, a series of major breakthroughs has been made in economic structural reform and profound changes have been effected in social and economic life.

—Regarding the ownership structure, the unitary state of public ownership has been replaced by the pattern of coexistence of various ownership forms with the predominance of the public sector which corresponds with

China's multi-level and uneven development of productive forces. This pattern has vigorously promoted the development of productive forces.

—Regarding the interrelations of ownership, the reform based on the principle of separating ownership from the right of operation has been introduced. Through implementation of the contracted responsibility system with payment linked to output within collective ownership in the rural areas, a new kind of economic relation has been established between the collectives, which had ownership over the land and other means of production, and the peasants, who are the operators. This has enormously aroused the enthusiasm of the peasants for production; promoted development of the commodity economy, division of labor, and trades in the rural areas; and created the necessary conditions for revitalizing the rural economy. In the public sector in urban areas, direct operation of enterprises by the state has been changed through implementation of various forms of the contracted management responsibility system, leasing, and other methods. A correct relation between the state as owner and enterprises as operators has been established, and enterprises have become independent commodity producers assuming responsibility for their profits and losses. The measures adopted in this respect have enormously invigorated enterprises.

—Regarding the planned management system, on the premise of confirming that China's economy is a planned commodity economy, a transition from a product economic pattern based on mandatory planning to a commodity economy based on indirect adjustment has been effected; rigid quotas in kind that are divorced from social needs have been abolished; the monetary levers of pricing, taxation, and interest rates have gradually become the essential means of planned regulation; and a new type of regulation mechanism that organically combines planning with the market has taken shape.

—Regarding the labor and wage system, the permanent, centralized job placement system has gradually been replaced by the contract employment system. Thanks to the further implementation of the principle of distribution according to work, the defects of the "iron rice bowl" and "big pot" have been eliminated and the enthusiasm of the laborers for production has been stimulated.

—Regarding the price system, the irrational price ratio between various products has been readjusted. A new system that combines planned prices with floating and negotiated prices has replaced the fixed price system, and a marked change has been effected in the situation in which prices reflected neither value nor supply and demand.

—Regarding the circulation system, the ration system of materials has been abolished in an extensive range and a number of capital goods have been put on the market as commodities. Meanwhile, the markets for labor, capital,



and technology have taken shape, creating conditions for the flow of production factors between various departments in light of social needs.

—Regarding foreign economic relations, the policy of opening up to the outside world has been implemented. With the measures adopted to increase foreign economic relations, the closed-type economy has become an open-type economy. China has established an open zone gradually extending to the interior with the coastal areas as the forward position and has made marked progress in importing advanced technology and equipment and applying advanced operation and management methods.

These reform measures have vigorously promoted China's economic development. China's GNP in 1986 increased by 102 percent over 1978, national income increased by 95 percent, and revenue increased by 98 percent (calculated in terms of comparable prices). The living standard of the people in urban and rural areas has improved remarkably. China has basically solved the question of feeding and clothing the 1 billion people and is now forging ahead toward a comparatively well-off level. The per capita net income of the peasants increased from 134 yuan in 1978 to 424 yuan in 1986 and that of the workers increased from 316 yuan to 828 yuan, an increase of 160 percent and 80 percent, respectively, after deducting price hikes. In a word, China's economy developed vigorously, its national strength grew radically, and the people benefited most during the 8 years of reform.

It is particularly of far-reaching significance that through the 8 years of reform, we realized the correctness of the direction and road of reform which conformed to our national conditions. The practice of reform has provided bright prospects for us to build socialism with Chinese characteristics and also explored some basic experience; that is, to build China into a socialist power with a high degree of material and spiritual civilization on the basis of the existing conditions, it is necessary to remove things attached to, but which do not belong to socialism, discard the "leftist" practices of the past that neglected the development of productive forces, and realize socialism on the soil of China.

No one can negate the successes of reform, which are obvious to all. If, despite these basic facts, we regard the 8 years of reform as chaos that has gone from bad to worse, this will only indicate the one-sidedness in our method of thinking or that the "leftist" things are still doing mischief in our minds. With the deepgoing development of reform, some unexpected changes have occurred in social and economic life. Some of these changes are normal phenomena unavoidable in the course of reform. We could not accept these changes for a time because of outdated ideas. Actually, the irrational phenomena existed long ago and are not the outcome of reform, opening up, and economic invigoration. Some of the irrational phenomena are the dregs of history manifested in the course of reform and have no inevitable

connection with reform. We must take a correct stand, look at the achievements and problems of reform dialectically, and have full confidence in this great, second revolution.

**As reform is a process that advances gradually, it is necessary to make long-term ideological preparations.**

The successes of the 8 years of reform are remarkable. However, we must also admit the setbacks. Owing to the trammels of "leftist" ideas and particularly to the influence of the old economic pattern and management system, our reform is bound to encounter unexpected difficulties and obstacles of every description. Some comrades have oversimplified reform, believing that all the relations can be readjusted and reform can be accomplished overnight with a single order made by the party and state. This "theory of quick victory" is unrealistic and naive.

Viewed from China's current situation, the operation of the economy as a whole is still at the stage in which two systems, two mechanisms, and two management methods coexist. The new system predominates over the old in the rural areas. In the urban areas, however, the new system does not yet predominate. In such a situation, the old method may possibly be restored in certain respects due to the problems, loopholes, and conflicts arising from lack of coordination between the two kinds of systems in economic life. To establish predominance of the new system nationwide, particularly in urban areas, and win the decisive victory of reform, a considerably long process will be required.

Reform is large-scale, complicated systems engineering as well as new, pioneering work. It involves various spheres of the economic basis and superstructure and is affected by economic, social, international, domestic, and other complicated factors. For this reason, it would be impossible to have a clear understanding of all problems arising from reform at the very beginning. We can only learn a way through practice. The social and economic conditions at the present stage have determined that it would be difficult for reform to take a big leap forward and develop rapidly from the beginning. The feasible method should be: On the basis of constantly summing up experience, work out coordinated reform plans, push forward the relatively backward aspects of reform, adopt the method of advancing wave by wave, and try by every means to avoid repetition. All this requires us to make long-term ideological preparations while carrying out reform.

The difficulties will increase as reform develops in depth. Owing to insufficient experience and failure to reach a common understanding at the previous stage of reform, the reforms introduced lacked corresponding measures and the reforms that should be introduced were not introduced promptly, which delayed resolution of certain problems. Consequently, the problems, frictions, and loopholes accumulated and became a hard nut

for us to crack. They are mainly manifested in the following: Regarding the enterprise operation mechanism, how enterprises should assume sole responsibility for their profits and losses under the conditions of public ownership and how we should combine diversification with standardization; regarding reform of the investment and planning system, how we should define the competence of the government at all levels in making investment and policy decisions on projects; regarding the division of work between government and enterprises and a functional change of the government over the economy, how we should define the duties of the government, how the government should exercise management, and how we should strengthen the comprehensive supervisory functions of the government; and regarding prices and the market, how we should gradually accomplish the reforms of the pricing system and pricing management system, particularly the reform of price and wages, and how to prevent inflation and suit the capacity of state finance, the digestive ability of enterprises, and the psychological capacity of the people so that the broad masses can understand and support reform. Moreover, we should be aware that reform, a social transformation that destroys the old and establishes the new, will inevitably readjust the relations of distribution between power and interests. Consequently, the different strata and departments will adopt a different understanding and attitude toward reform. In some localities, there are still obstacles to reform. All this has determined the arduousness, complexity, and protracted nature of reform.

**Eliminate the ideas of pessimism and quick victory and actively plunge into the trend of reform.**

At present the socialist countries, the Western world, and the African continent, which is suffering from famine, have all expressed admiration and concern for China's reform and have further explored the road for their reforms therefrom. Since the 1980's, a new, developing trend has emerged in reforming and perfecting the existing economic structure, particularly in the Soviet Union and Eastern European countries. The measures they have taken to accelerate reform are a challenge to us.

Reform is the trend of the times. We are now at the initial stage of socialism, the level of our productive forces is still relatively low, and our economic strength cannot match the nature and position of the country. To end such a state of affairs, it is necessary to resolutely and steadily reform the old system, which hampers the development of the productive forces. Without reform, it will be impossible to fully manifest the superiority of socialism and lead the broad masses to the socialist road. Without reform, there will be no way out. This is a warning from history.

Reform is also the desire of the people. The people in both urban and rural areas have benefited from the 8 years of reform. The living standard of the broad masses

has improved to varying degrees. The people are concerned with, and have a strong desire to participate in, reform. According to a sample survey by the Beijing Socioeconomic Scientific Research Institute on 29 provinces, municipalities, and autonomous regions, over 95 percent of the cadres expressed confidence in upholding the policies of reform and opening up. This shows that reform enjoys popular support. Naturally, some masses feel discontented. The main reasons include: Some people have not yet extricated themselves from outmoded ideological understanding, force of habit, and "leftist" influence; they are not yet ideologically prepared to live in the new economic environment; they lack the psychological capacity for the major reform measures; they expect too much and are anxious about reform and they blame reform when their demands are not satisfied for the time being; and some people attribute the unhealthy tendencies in society to reform.

Confronted with the new problems and circumstances arising from reform, our comrades should enhance their sense of reform and deepen their understanding of the inevitability, urgency, arduousness, and complex nature of reform. First, it is necessary to firmly stick to the basic points of the line of the 3d Plenary Session of the 11th CPC Central Committee. We should neither apply a liberalized viewpoint to look at reform, opening up, and economic invigoration and negate the four cardinal principles nor use an ossified viewpoint to comprehend the four cardinal principles and negate and belittle the necessity and correctness of the policies of reform, opening up, and economic invigoration. Second, it is necessary to step out of the narrow circle of the individual and small groups, use the long-term interests of the state and nation to correct the prejudiced views, and apply Marxist dialectical viewpoint to look at the great reform. Third, it is necessary to learn how to adapt ourselves to the new economic environment as quickly as possible.

We have accumulated rich, valuable experience in the 8 years of reform. Large numbers of people who are bold and good at introducing reforms have emerged. With the understanding and support of the masses, we have explored a road for deepening reform. The solid ice has been broken and the ship of reform is forging ahead towards a bright future. Let us cast away the illusions of pessimism and quick victory and actively plunge into the current of reform.

**Army Daily Urges People To Work for Reform**  
*HK291312 Beijing JIEFANGJUN BAO in Chinese*  
22 Sep 87 p 3

[Article by Liao Guangchen (1675 0342 5256): "Everyone Is Responsible for the Success or Failure of Reform"]

[Text] When I read newspapers, thoughts of new people and things that have emerged in the reform often crowd my mind. Let me set aside things that happen in the

localities. A recent *Jiefangjun Bao* report that quite a few army cadres transferred to civilian work and demobilized soldiers in Guangzhou City have fostered a new employment concept by joining the ranks of self-employed workers has revealed an important message; that is, the reform has become the conscious choice of a growing number of people. From the localities to the army and from the rural areas to the cities, socialist workers on various fronts are participating in, and forwarding the reform as best they can. They have thus negated with their practical actions such concepts as the reform "has nothing to do with me."

Gu Yanwu, a person from the Ming dynasty, made a famous remark: "Everyone is responsible for the rise and fall of the state." In my view, the basic spirit of this sentence is also applicable to the present reform efforts. We may as well say: "Everyone is responsible for the success or failure of the reform." It is obviously wrong to say that the reform "has nothing to do with me," because it has a great deal to do with us. Over the past 9 years, we have benefited in varying degrees from the reform and have always been concerned about the likely effect of the readjustments of various interest relationships on our immediate interests. When someone says that the reform "has nothing to do with me," he actually is only concerned about the benefit he may gain from the reform without thinking of doing something for it. This idea obviously is not to be tolerated. It is necessary to rectify this idea in the course of participating in the reform, changing from the idea of being concerned only for private gains or losses to one of being concerned for the success or failure of the reform and from the idea of "having nothing to do with me" to one of "everyone is responsible."

It is not at all strange that people should be used to assessing the merits and demerits of the reform from the angle of their immediate interests. The 9 years of reform have brought practical benefits to the great majority of the 1 billion people throughout the country. For this reason, the people support and approve of the reform from the bottom of their hearts. The reform itself is aimed at developing the social productive forces more rapidly so that all the people can become well-off together. It is, therefore, beyond reproach that people should assess the reform from the angle of their immediate interests. The issue is that we should not stay at this level. Interests can always be divided into immediate and long-term interests and partial and overall interests. If we can observe problems from the angle of the overall and long-term interests of the state and nation, we can see that applying the criterion of personal gains or losses is not often accurate and that it may even be wrong to apply this criterion in judging the success or failure and the merits or demerits of a thing. More important is that we not only withstand, but also participate in the reform and that, as the main force, we can more or less affect the course of reform through our own efforts. Just as I mentioned above, by seeking employment by themselves

and engaging in individual independent labor, the soldiers transferred to civilian work or demobilized have displayed the spirit of sharing the burden of the state. They have supported the reform effort with their own practical actions. It is precisely in this sense that "everyone is responsible for the success or failure of the reform."

To foster the idea of "everyone being responsible" means fostering the idea of being the masters of the state. We should not place ourselves in the position of observers. The saying that "one is unwilling to comment on something which is not one's own concern" regards the reform purely as the concern of leaders at all levels. This is wrong! Everyone's destiny and future is closely linked to the state's destiny and future. Since we are the masters of the state, how can we refrain from seeking ways to make our country prosperous? Moreover, the success of the great cause of reform depends on the joint responsibilities and efforts of all the people rather than on a few heroes. If we only want to benefit from the reform but are unwilling to make some sacrifices for the deepening of the revolution, can this be regarded as the proper spirit of the masters of the state? For this reason, I think it is necessary to loudly shout the slogan "Everyone is responsible for the success or failure of the reform" in our country and in our time.

**Zhao, Leaders at Economic Reform Conference**  
OW292143 Beijing XINHUA Domestic Service  
in Chinese 1254 GMT 29 Sep 87

[By RENMIN RIBAO reporter Jiang Shijie and XINHUA reporter Yu Youhai]

[Text] Beijing, 29 Sep (XINHUA)—The National Planning Conference and the National Conference on Economic Structural Reform ended in Beijing today. The meeting clearly pointed out that China must further stabilize its economy and make more progress in its reform in 1988 to ensure more effective development of its socialist construction.

Zhao Ziyang, acting general secretary of the CPC Central Committee and premier of the State Council, gave an important talk at today's closing session. Wan Li, Fang Yi, Tian Jiyun, Qiao Shi, Li Peng, Hu Qili, Yao Yilin, Hao Jianxiu, Wang Renzhong, Gu Mu, Zhang Jingfu, Wang Bingqian, Song Jian, and other leading comrades also attended the meeting.

The 8-day conference seriously analyzed China's current economic situation and made in-depth discussions of next year's tasks of production construction and structural reform. Representatives to the meeting attached great importance to the high prices of some commodities and the unwarranted expansion of construction projects. They maintained that to stabilize the economy, it is necessary to first stabilize prices, including curbing



unauthorized price hikes of means of production and controlling the range of price increases of vegetables, nonstaple foodstuffs, and other consumer goods

The practice of some monopolistic professions and enterprises in driving up prices and causing confusion on the market has created big problems for our economic construction. Their behavior is no longer just a problem of unhealthy tendencies, but rather a violation of the law and must be investigated and sternly dealt with. On the question of controlling the scale of construction, the representatives unanimously pointed out that currently the emphasis should be laid on controlling investments outside the state budget. At present, the various localities are overspending their budget in setting up general-purpose processing industries or building nonproductive projects, and many regions are vying with one another for extravagance in urban construction, while no progress is being made in energy, communications, raw and processed materials, and other such key industries related to the entire national economy and the people's livelihood. If this situation is not changed, our national economy will lack stamina and even shrink.

During the meeting period, the representatives introduced the new achievements in production and construction in their respective areas, professions, and units as a result of reform and opening to the outside world. They all felt that the problems currently facing us are only problems encountered while making progress and can eventually be solved. The important tasks at the moment are unifying the thinking of various quarters, deepening the economic structural reform while tightening finance and credit loans, striving to increase production and revenue, and ensuring the national economy's sustained and stable growth.

The meeting stressed that under the current conditions, it is most important to increase production, improve supplies, and stabilize the market and the people's livelihood. In agriculture, a primary task is increasing the production of vegetables and nonstaple foodstuffs to solve the urban residents' feeding problems. Effective measures should be taken to develop the production of grain and hogs. In industry, it is necessary to accelerate readjusting the structures of production and products, increase the output of products in great demand on the market, resolutely curtail the production of items that are unsalable or have large inventories, and actively research, manufacture, and develop new products to meet the demands of various types of people in both the cities and the countryside. At the same time, it is necessary to continuously study the consumers' tendencies, including those in feeding, clothing, housing, and others and adopt systematic policies to guide these tendencies.

On the question of next year's economic structural reform, comrades attending the meeting highly approved of the State Council's plan that stresses enterprise reform as the central task while simultaneously carrying out

reform in planning, investment, material supply, foreign trade, finance, and other areas. The participants unanimously pointed out that practice has shown that the contract system is conducive to perfecting the enterprises' management system, arousing the enthusiasm of both management and labor, tapping the enterprises' potential, ensuring the state's financial revenue, invigorating the enterprises, and gradually improving the workers' living conditions. The key to further stabilizing China's economy and deepening the reform in 1988 lies in making the enterprise contract management system a success and promoting the "double increase, double economy" movement. Leaders at all levels must fully realize the importance of these tasks and play an active role in fulfilling these tasks.

#### **Leaders Attend Performance by Handicapped**

*OW291155 Beijing XINHUA Domestic Service  
in Chinese 1553 GMT 27 Sep 8*

[By reporter Zheng Qingle]

[Excerpt] Beijing, 27 Sep (XINHUA)—On behalf of tens of millions of handicapped people in the country, a unique artistic performance by the China Handicapped Art Troupe was given to an audience of nearly 10,000 people at the Great Hall of the People this evening.

Among the enthusiastic audience were Ulanhu, Xi Zhongxun, Qiao Shi, Yang Dezhi, Hu Qiaomu, Hu Qili, Qin Jiwei, Deng Liqun, Hao Jianxiu, Wang Zhen, Song Renqiong, Wang Ping, Li Desheng, Wang Renzhong, Zhou Gucheng, Huang Hua, Zhang Jingfu, Yang Jingen, Hu Ziang, Qu Wu, Lei Jieqiong, Wang Feng, and Qian Weichang.

The performance was staged to commemorate the 36th founding anniversary of the PRC and the 30th International Deaf's day. Forty-seven handicapped performers impressed the audience with their unusual skills. [passage omitted]

#### **Zhang Jingfu, Experts Mark National Day**

*OW292320 Beijing XINHUA in English 1636 GMT  
29 Sep 87*

[Text] Beijing, September 29 (XINHUA)—China's State Bureau of Foreign Experts entertained foreign experts working in China and their spouses here with a theatrical performance yesterday and today on the eve of the 38th anniversary of the founding of the People's Republic of China, which falls Thursday.

Huang Hua and Yan Jici, vice-chairmen of the Chinese National People's Congress (NPC) Standing Committee, and Zhang Jingfu, state councillor, joined the foreign experts.

**Daily on Investment System, Financial Reform**  
*HK290543 Beijing RENMIN RIBAO in Chinese*  
14 Sep 87 p 5

[Article by Xu Meizheng (6079 5019 1767): "Investment System and Financial Reform"—boldface as published]

[Text] With the reforms in the enterprise system, financial system, and planning system, great changes have taken place in our country's investment system. These changes are mainly reflected in the following: The investment of funds has changed from the previous single-channel vertical distribution into the integration of multichannel vertical distribution and horizontal flow. The investment principal has changed from the previous government unitary system to a diversified investment system including the state, enterprises, and individuals. The highly centralized system of investment policy decisions has been gradually dispersed. Market mechanism has begun to play a role in investment. These changes show that reform has penetrated the investment field, and that the highly centralized investment system has begun to change. However, a new investment system has not yet been formed.

In the process of replacing the old system with the new one, new contradictions and problems will inevitably occur. These contradictions are: the contradiction between a relative reduction in state construction funds and heavy construction projects undertaken by the state; the contradiction between dispersed investment funds and the highly concentrated funds needed by key construction projects; and the contradiction between a diversified investment principal and a unitary administrative mechanism. In addition, there are also duplication of construction projects and irrational economic scale due to insufficient horizontal flow. All this shows that the establishment of a new investment system has been put on the agenda.

How should we establish the investment system? This problem should be conscientiously studied and explored. Here, I would like to express my initial views on several questions concerning the investment system.

**Delegating Decisionmaking Power for Investment and Invigorating Enterprises [subhead]**

Delegating investment decisionmaking power to enterprises is needed for structural reform in enterprises. It is an important content of the reform in the investment system. First of all, investment decisionmaking power should be delegated to enterprises. Only thus can enterprises truly unify their responsibility and power. If the operators of enterprises have only the power to administer production, without decisionmaking power in investment, erroneous policies of the departments in charge will lead to the failure of the business of the enterprises. The operators of the enterprises are not responsible for this. Furthermore, delegating investment

decisionmaking power is beneficial to enhancing investment results. With investment decisionmaking power in its hands, an enterprise which assumes sole responsibility for its profits or losses will take on the risk of investment. It should seriously assess each and every investment item in order to avoid losses in investment. In the meantime, the operators of enterprises are much more familiar with investment items, intensive investment items in particular, than working personnel of the responsible departments. Therefore, delegating investment decisionmaking power will reduce mistakes in policy decisions, and enhance investment results.

After delegating investment decisionmaking power in general to enterprises, the state still retains part of its administrative power over investment. In the proposal on the Seventh 5-Year Plan, the party Central Committee points out: "The state investment covered by the budget will be made in basic facilities and nonprofitable construction projects." It is beyond the capability of enterprises to make such investment. Through direct investment in these fields, the state will ensure stable development of the national economy. In the meantime, through its own investment, the state can guide the social investment activities of enterprises and individuals.

Investment projects undertaken by government can be divided into those undertaken by central government and those undertaken by local authorities. Investment in nationwide basic facilities should be made by central government, whereas investment in local basic facilities and public undertakings should be made by local governments at all levels. Through their own investments, local governments at all levels should create favorable external investment environments to attract and guide social investment.

After significantly delegating investments in general to enterprises, the scope of investment undertaken by the state will be correspondingly reduced. The expenditure on investment in construction projects in the financial budget will also decline. In this way, the contradiction between financial revenue and expenditure can be solved, and the situation of long-term deficits can also be overcome.

**Changing Government Functions in the Administration of Investment [subhead]**

With the delegation of investment decisionmaking power to enterprises, direct government control over investment will be changed into indirect regulation and control. Comprehensive institutions responsible for investment should free themselves from a considerable amount of microscopic activity of distributing investment, examining and approving investment items, and so on. They should turn to the macroscopic administration of investment, study strategy for the development of the national economy, work out industrial policy and investment plans, and ensure a systematic balance in the investment funds of the entire society.

At present, it is an urgent task to formulate industrial policy in accordance with the strategy for economic development. Industrial policy is a base for determining government investment policy and social investment. Industrial policy should be implemented not only in national-level guiding industrial departments, but also in local guiding industrial departments. Meanwhile, the issues of rational industrial organization and structure and technical policy should also be studied. Investment policies should be changed from the previous annual plans, and plans for individual items changed into mid- and long-term investment plans.

State investment covered by the budget now accounts for only 17 percent of total social investment. Planned administration is confined to investment covered by the state budget only. It will be impossible for us to ensure an overall balance if we exclude a large portion of social investment from the plan. The investment plan should serve the whole society to ensure an overall balance in the investment of the whole society. The investment of the whole society includes government investment, enterprise investment, individual investment, and investment made by financial institutions. It is obvious that delegating investment decisionmaking power does not mean weakening the state planned administration of investment. On the contrary, it means expanding the planned administration of investment to the whole society. Also, the following traditional concept should be clarified: In the past, a balanced national income regarded individual incomes in urban and rural areas as equivalent to consumption funds, and surplus individual income as surplus purchasing power which has not yet been realized. However, the present situation has changed. More and more urban and rural individual income has been turned into accumulation, which is one of the main sources of investment.

Macroscopic administration is an important aspect of the changes aimed at reforming the unitary administrative control mechanism so that it becomes a means for comprehensive implementation of policy, an economic means, rules and regulations for investment, and the necessary administrative means aimed at readjusting the investment scope and guiding the flow of capital.

#### Establishing an Effective Financial System [subhead]

To conform to the demands of the reform in the investment system, we should establish a highly effective financial system through a series of profound reforms.

**1. Reforming the banking system.** First, we should establish some special financial institutions responsible for investment loans in accordance with policies. They will mainly serve basic industries and other key projects. These financial institutions should carry out their special function according to government policy. They will have decisionmaking power in investment, and will independently assess and select investment projects in accordance with the industrial policy of the state. They will

also be responsible for these investment projects. They should carry out independent accounting, and assume sole responsibility for their own profits or losses. When they provide low-interest loans, the government should give them subsidies. The principals of the loans can be allocated from the government's construction funds, or raised from society. The Construction Bank can be reorganized into such an institution. Some new institutions can also be established, such as development banks, investment companies, and so on. At present, some trust and investment companies in various localities can undertake such business of providing loans in accordance with government policy. Separating loans in accordance with government policy from the business of specialized banks is helpful, not only to the progress of key construction projects of the state and the implementation of industrial policy, but also to the operation of specialized banks as enterprises.

Second, running specialized banks like enterprises; specialized banks should assume sole responsibility for their own profits or losses, assume the risk of investment, and participate in competition. Only thus can they enhance investment results. In this connection, we should straighten out relations between banks and the state, and change the previous system of state direct distribution of investment loans among specialized banks. Banks should be vested with decisionmaking power for investment loans. On the basis of straightening out financial relations between the state and specialized banks, we should readjust distribution relations between the state and banks in terms of benefits. Specialized banks should study the problem of regarding banks at a certain level as accounting units. The previous fund-supply relations between banks and enterprises should be truly changed into lending and borrowing relations. The method of mortgage loans should be employed. The previous method of repayment of loans before payment of tax should be changed into that of repayment of loans after payment of tax. Loans should have more binding force on enterprises.

Third, we should change the present system of the division of labor among specialized banks characterized by everything being monopolized. At present, there has been progress in the reform of the banking system. Various specialized banks have begun business exchanges with other institutions, and participate in proper competition. With the development of reform aimed at running specialized banks, the readjustment of the interest rate system, and the establishment of financial institutions, competition between banks and various financial institutions will be further promoted.

In addition, we should appropriately establish some new banks, such as Jiaotong Bank in Shanghai, China International Trust and Investment Corporation Industrial Bank, Sino-foreign venture banks in special economic zones, some other new types of banks, and so on.



**2. Developing nonbanking financial institutions in a guided way and step by step, and gradually freeing the long-term capital market.** Nonbanking financial institutions such as trust and investment companies, leasing companies, investment companies, and so on are very useful for raising long-term capital. Some provincial or city trust and investment companies raise funds both at home and abroad through issuing bonds. This has played a very good role in promoting the construction of local basic facilities.

Issuing bonds and stocks to raise funds directly is an important channel for raising long-term funds. In recent years, enterprises gave issued bonds, financial bonds, and key construction project bonds totaling several billion yuan. This has played a positive role in raising construction funds. [paragraph continues]

With regard to the method of raising funds through issuing stock, due to the fact that conditions are not yet ripe in terms of systematic reform and administrative work, at present only experiments can be conducted. However, with the deepening of reform, the development of commodity economy, and more credit secured, this method will be developed.

At present, we should strengthen the management of nonbanking financial institutions and the financial market. Such financial business should be covered by macroscopic planning to ensure a comprehensive balance. In the meantime, more efforts must be made to strengthen the work of administering, supervising, and examining them to ensure the stability of financial business.

**3. Developing contractual savings organs.** Such contractual savings organs as those dealing with retirement pay, pensions, life insurance premiums, and so on are important financial organizations for raising stable and long-term funds. At present, on the international stock market, these organs own quite considerable amounts of stocks and bonds. In our country, developing contractual savings institutions is beneficial not only to opening up a long-term channel for capital, but also to developing social welfare undertakings. In the rural areas of our country, it is very important to develop contractual savings institutions. They not only increase construction capital, but also work for the welfare of the broad masses of peasants. They will play a positive role in developing rural economic, cultural, and social welfare undertakings.

**4. Gradually readjusting the interest rate system.** Concentrating and distributing investment through financial channels has changed the previous situation of gratis use of investment funds into that of using investment funds with compensation. What is more important is that we have brought investment into the orbit of market mechanism in a planned and guided way so as to readjust and distribute investment. Here, interest rates, as the price of funds, will play an important regulatory role. Therefore, reforming the interest rate system has become a very

important question. In recent years, interest rates have been somewhat readjusted. However, profound reform is still needed. At present, the levels of interest rates are comparatively low, and there is a lack of flexibility in this regard. Overheated investment demand has not yet been curbed. This will be detrimental to further tapping the potential of savings. The fact that deposit and bond interest rates are lower for enterprises than for individuals is not beneficial to the investment of enterprises in financial assets. This will also affect the horizontal flow of capital. Furthermore, interest on loans which were originally allocated funds is too low. The prime rate of interest is applied in too many areas. All this is detrimental to the practice of making use of interest rates to regulate investment. Therefore, we should continue to reform the interest rate system, and properly relax our control over interest rates so that a certain flexibility can be ensured.

**5. Strengthening macroscopic control and supervision over financial institutions.** While enlivening finance, we should strengthen macroscopic control over it, and ensure a proper level of money supply. With this prerequisite, credit will not be out of control in the process of enlivening finance. However, the establishment of various kinds of financial institutions and freeing the financial market will bring a new situation and new problems for macroscopic control. It is necessary to further improve and perfect the macroscopic control mechanism.

In the meantime, we should strengthen administration and control over financial institutions. Within people's banks, we should consolidate and establish special organs, assign specialized personnel to work in them, and formulate administrative rules and regulations. We should also strengthen the work of supervising, administering, and examining the nonbanking institutions and financial market.

The reform in the investment system will involve the systems in various areas. Apart from the planning, financial, and monetary systems mentioned above, we need coordinated reforms in the enterprise, goods and materials, and price systems.

**Gao Shangquan on Progress of Urban Reform**  
*OW271401 Beijing XINHUA Domestic Service*  
*in Chinese 1524 GMT 26 Sep 87*

[By RENMIN RIBAO reporter Jiang Shijie and XINHUA reporter Yu Youhai]

[Text] Beijing, 26 Sep (XINHUA)—Gao Shangquan, an economist and vice minister of the State Commission for Restructuring the Economic System, said today that China's urban reform, like its rural reform, has been carried out step by step in a down-to-earth manner after experimentation to accumulate experience. He maintained that we should continue this effective practice in future.

As is known, an experiment in giving enterprises more decision-making powers was conducted first in six large and medium-sized state enterprises in Sichuan Province in October 1978. Their experience was applied to larger areas and then throughout the country, thus launching China's urban reform. Since 1982, the party Central Committee and the State Council have successively approved experimental comprehensive reforms in Shashi City of Hubei Province, Changzhou City of Jiangsu Province, and Chongqing City of Sichuan Province. Later on, various experimental urban reforms unfolded successively. They included reform of the banking system in 27 large and medium-sized cities, including Wuhan and Shenyang, and throughout Guangdong Province; organizational reform in 16 medium-sized cities, including Jiangmen, Dandong, and Weifang; reform of the housing system in such cities as Yantai, Bengbu, and Tangshan; reform of the legal system in 7 cities with independent plans, such as Guangzhou and Harbin; reform of the science and technology system in Nanjing, Huangshi, and 3 other cities; experimentation with the system of responsibility in enterprise management in Shenyang, Shijiazhuang, and 4 other cities; and experimentation with a partnership system for large and medium-sized state enterprises and a leasing system for small state enterprises; implementation of enterprise bankruptcy procedures; and opening up of means of production markets in such cities as Guangzhou, Beijing, Shanghai, Shenyang, Wuhan, and Shijiazhuang. At present, 72 cities are carrying out one or more pilot projects of comprehensive reform. Of China's 353 cities, these 72 occupy a very important position in the national economy. Their populations, fixed assets, and revenues account for 45 percent of the total; their total industrial output value 47.2 percent; and their retail sales 47.8 percent.

Gao Shangquan said: Urban reform is extremely arduous and complex; there is no ready formula for it. It is necessary to blaze new trails in the light of reality, take the road of experimentation and exploration in accordance with the plans of the party Central Committee and the State Council, and assume a scientific attitude toward reform. In fact, those cities that undertake pilot projects have gained a great deal of experience, trained a large number of cadres, and played an important role in promoting reform throughout the country. In practice, they have always concentrated on invigorating enterprises, beginning with simplifying administrative procedures, delegating powers and following up with reform of the operational mechanism of enterprises. They have given play to the multiple functions of urban centers and enhanced their own vigor. They have promoted lateral economic cooperation and initially broken down the barriers between different departments and different regions. They have explored new roads of combining industry with agriculture and urban areas with rural areas. They have helped bring about coordinated development of the urban and rural economy. They have changed government functions to explore new systems of economic administration by city governments.

Speaking at the national work meeting on restructuring the economic system, Gao Shangquan cited a host of facts to explain that undertaking projects first and gradually popularizing the experience gained is an important way to ensure the smooth progress of urban reform. While analyzing the exploratory, pioneering, coordinating, open, and guiding nature of pilot projects, he pointed out that to correctly understand and treat these distinguishing features and improve on pilot projects is of great significance to achieving success in urban reform.

First, cities undertaking pilot projects play the role of exploring ways for nationwide reforms. When we undertake a pilot project in accordance with the reform guideline issued by the party Central Committee and the State Council, we should expect possible risks. We should promote a spirit of daring to take those risks and of exploring actively in the interest of nationwide reform.

Second, reforms should be interrelated. All urban departments concerned should cooperate with each other in studying how to coordinate the various reform measures. Only in this way, can we ensure smooth progress of reform and constantly deepen it.

Third, pilot projects should not be conducted behind closed doors. We should learn from both domestic and foreign experience, widen our field of vision, break down the barriers between different departments and different regions, and open up to others at home and to the outside world.

Fourth, since the purpose of undertaking pilot projects is to explore ways for reform in a whole region, we must pay attention to practices that are of guiding significance and worth popularizing. Otherwise, the pilot project will lack vitality.

Gao Shangquan said: Although pilot projects involve difficulties and risks, we can make still greater achievements in experimental reform, if we go all out, advance in the face of difficulties, and display a persevering and pioneering spirit.

**Hong Kong Daily on Rural Economic Reform**  
HK300357 Hong Kong  
LIAOWANG OVERSEAS EDITION in Chinese  
No 38, 21 Sep 87 pp 16-18

[Article by Li Shuzhong (2621 2885 0022): "An Outline of the 8 Years of China's Rural Economic Reform"]

[Excerpts] Editor's note: A major transformation was launched in China's rural areas 8 years ago. The state transferred to the peasants the power to use the land and allowed them to engage in production or other money-making trades according to their own inclinations. Once restrictions were relaxed, the initiative of the hundreds of millions of peasants moistened the nearly dried-up

economy like a stream from a floodgate. Over the past 8 years, the reform has made impressive progress and the rural areas have created incredible wealth. The living standards of the peasants have increasingly improved and there are smiles on their faces.

Nevertheless, Chinese agriculture is now in the initial stage of socialism. Its productive forces are still underdeveloped and various contradictions still exist. For this reason, the curtain has been drawn for the more profound and complicated second-step reform. [end editor's note]

He Kang, the Chinese minister of agriculture, animal husbandry, and fishery who has just returned from Beidaihe, told reporters the other day: "Chinese agriculture is in the initial stage of socialism." This is a new formulation. As he explained it, the features of agriculture at this stage find concentrated expression in the diversified systems of ownership and the diversified methods of operations and distribution, in the mutual friction among old and new ideas and structures, in the backward production means, and in the underdeveloped commodity production.

This is a conclusion drawn after sober analysis of the Chinese conditions. It has been learned that the policy makers and experts at the Beidaihe meeting penetratingly explored the question of the rural economic reform and expressed satisfaction with the success scored in the 8 years of reform. He Kang said with excitement that we have made "impressive progress" in the rural economic reform over the past 8 years. [passage omitted]

Although we have scored quite dazzling successes in the rural economic reform over the past 8 years, many problems are still outstanding: A large number of farmland water conservancy facilities previously under collective management are now in a state of serious disrepair because nobody attended to them; as many as 1 million hectares of cultivated land have been used to build houses and factories so that the cultivated area has increasingly shrunk; chemical fertilizers, insecticides, diesel oil, machinery, and other materials urgently needed by the peasants are in short supply; and the social services facilities needed for the development of commodity production are small in quantity and poor in quality. All these problems boil down to this: The capacity for sustained agricultural development is obviously insufficient.

China's economic experts and policy makers have spotted these problems and adopted a series of new strategic measures. These are chiefly as follows:

It is necessary to deepen the reform and give the peasants more freedom, such as allowing them to contract for more land, for several dozen mu or as many as 100 mu. The peasants are also allowed to organize themselves in the circulation field and to compete with state commerce. To develop the rural reform in depth, China has

started to set up some "experimental zones" in the rural areas this year. The experimental items include building the township and town enterprise system, reform of the farm produce circulation structure, construction of commodity bases, reform of the banking structure, scale land operations, and improvement of cooperative economic organizations at the township and village levels. These problems should be solved in the course of continuously developing the rural economy.

It is necessary to increase material input, improve the production material and technological conditions, and step up the development of agro-industry. China's agricultural investment this year has increased by 40 percent over last year. In the future, we shall still vigorously develop farm-oriented chemical industry, machinery industry, and rural electrification in order to lay a solid material foundation for sustained development of the rural economy.

Moreover, it is necessary by the end of this century to shift another 100 million rural laborers to rural industries and services trades and to renovate 100 million mu of land.

Looking forward to China's agriculture in the initial stage of socialism, the prospects are quite bright. He Kang, minister of agriculture, animal husbandry, and fishery gave an outline of the prospects for the end of this century:

—In the rural areas, per capita social output value will reach 1,800 yuan, per capita net income will reach 800 yuan, and the food pattern and people's living conditions will improve considerably and gradually approach the living standards of the people in the cities.

—The nation's grain output will reach 900-1,000 billion jin, ensuring a grain supply of 800 jin on a per capita basis.

—The rural new industries, commerce, and services trade will become important pillars for the rural economic development and a new economic system which closely links agriculture, industry, and commerce and in which agriculture, forestry, animal husbandry, sideline occupations, and fishery develop in a coordinated way will be instituted in the rural areas.

—The agricultural natural resources will be developed and utilized on a large scale, there will be a basic balance between supply and demand in water resources, and the energy shortage in the rural areas will be alleviated. The ecological environment in the rural areas will be improved to some extent.



**Paper Discusses Shareholding System**  
*HK300143 Beijing GONGREN RIBAO in Chinese*  
17 Sep 87 p 1

[Article by Cao Siyuan (2580 1835 3293): "Certain Questions on Laborers Also Being Shareholders of Their Enterprises"]

[Text] Enterprises in many parts of the country have in recent years trial-implemented the shareholding system in the course of economic reform. Not only enterprises under collective ownership but enterprises under ownership by the whole people also allow their staff and workers to buy shares. As shareholders, these staff members and workers can take their dividends according to the amount of profits of their enterprises, apart from earning their wages. Some people agree to this; others object. Those who object believe that taking dividends according to their contributions means exploitation and is divorced from the principle of distribution according to work, thereby changing the nature of ownership by the whole people and deviating from the socialist orientation. As a result, a mental contradiction has arisen among some cadres and workers: They welcome the shareholding system, but at the same time worry that one fine morning they will be branded as having taken the capitalist road. Therefore, this requires a theoretical clarification.

**It Is Necessary To Recognize the Legitimate Rights and Interests of Investors and Reapprehend "Exploitation"**  
[subhead]

As everyone is aware, developing the socialist commodity economy requires both labor and capital. Neither is dispensable. Laborers should be paid according to the work done, and capital should not be used gratuitously. When borrowing money from banks, enterprises should repay the capital plus interest. When people deposit money in banks, they also gain interest. In such cases, we cannot say that the bank is exploiting the enterprise or that the depositor is exploiting the bank. The concept of legitimate interest is basic knowledge in a commodity economic society. Using capital without interest is precisely gratuitous use of capital which is neither rational nor legal; nor is this workable in socialist economic life.

During the initial stage of socialism, there are sure to be a variety of ownership forms. In enterprises jointly run by the state and the collective or by the state and the individual, after-tax profits should be shared among investors according to the proportion of their investments, and their legitimate rights and interests should be recognized and protected by law. This applies to state investments, collective investments, and, naturally, individual investments. If sharing profits obtained from state or collective investments is not exploitation, then why is taking dividends according to the proportion of individual investments exploitation? If a shareholder were the exploiter and a worker were the exploited,

would this not mean that a worker exploits himself when he becomes a shareholder? Obviously, forcing the concept of "exploitation" on others cannot offer a tenable argument.

**Taking Dividends According to Contributions Is a Necessary Supplement to the Principle of Distribution According to Work** [subhead]

There is sure to be a variety of distribution forms during the initial stage of socialism. While applying the principle of distribution according to work, we should also acknowledge the shortcomings of this principle. To remove egalitarianism, it is good to carry out the principle of distribution according to work, as it enables those who work more to earn more and makes those who work less earn less. The principle can encourage laborers to concern themselves with their labor results but not with the operational results of their enterprises. This "defect" can be made up by introducing the shareholding system. As revealed by a survey, after the smashing of the "gang of four," an enterprise began to carry out the principle of distribution according to work and achieved good results in bringing its workers' initiative into play. However, a difficult problem could not be resolved: Skilled veteran workers were not willing to pass on their skills to young workers, because each worker lived on his skills. Not long after, this enterprise began to exercise the shareholding system, allowing its workers to buy shares. Thus, the amount of dividends depended on the operational results of the enterprise. Veteran workers of the enterprise were willing to teach unskilled young workers because if the products they produced were returned by the buyer due to poor quality, this would harm the economic results of the enterprise as well as the interests of all the shareholders, including veteran workers. Veteran workers of the enterprise have now broken away from the limitations of the principle of distribution according to work and are no longer confined to concerning themselves with just their own labor results! The change in ownership form has enabled them to consciously combine their personal interests with the interests of the enterprise. The workers of the enterprise have now acquired a wider perception of things.

Another example is the Shenyang small compressor factory. Before implementation of the shareholding system, a group of workers were playing cards on their rest time one day when a customer made a telephone inquiry about compressors. One of the workers, impatient with the call, picked up the receiver and said, "Ask another factory." He then hung up. The workers were not in charge of marketing. To crown all, the call came during their rest hour, so they refused to attend to the business call. The principle of "distribution according to work" cannot control this. But the situation changed after implementation of the shareholding system. One day on his way home from the factory after coming off work, a young worker came across a buyer who asked him where compressors could be bought. Without hesitation, he

took him to the factory. Workers of the factory said that everyone in the factory could do the same, because they wanted to canvass more orders for the factory.

**Interest Fluctuations Have a Greater Regulatory Force Than Wage Fluctuations [subhead]**

In wage system reform, many enterprises have divided the workers' wages into the two parts of fixed income and fluctuating income. Fluctuating income is related to the amount of work the workers have done. This is reasonable. However, it should not be linked to the operational results of enterprises. For example, when a worker fails to meet his work quota or the products he has produced are not up to standard, his wages can be adjusted downward, but if the profits drop because of market changes, it is unreasonable to reduce the worker's wages.

The slogan now in vogue is: "Wage increases and decreases are linked to increases and decreases in enterprises' economic results." People are happy when they receive an "increase" in wages, but they will be unhappy if their wages are "reduced." As they say, "Wages support the family; everyone, male and female, old and young, lives on them." This is the rigidity of wages. Under ordinary circumstances, increasing wages is easier than reducing them, as the workers find it difficult to withstand the pressure resulting from decreased wages.

Fluctuations of income from dividends are much larger than fluctuations of income from wages. Since a worker has taken out his money to buy shares, he should have the courage to bear the consequences arising from his investment. Thus, one of the advantages of being a shareholder can be easily seen: The labor remuneration of the workers is ensured according to the terms and conditions provided by the contract they have signed, whereas their income from investment is determined by their investment results. When their enterprises' economic returns drop, they will understand why their dividends decrease. This will encourage the workers to improve their enterprises' economic results.

An enterprise cannot reduce the wages of its workers to increase its technical transformation funds in order to improve its competitiveness, but it can reduce the dividends to be shared among its workers. The workers will understand this easily, because they have long-term interests to consider as shareholders. For a time in the past, some factory directors, taking account only of the immediate interests of the workers, issued bonuses at will, thereby causing losses to their factories. Some even used bank loans or sold the machines and equipment of their factories to issue bonuses. In enterprises exercising the shareholding system, this could meet with a strong objection from the shareholders. In other words, workers being shareholders can help combine the interests of laborers with the interests of investors and rationalize enterprises' activities.

**The Shareholding System Brings About Progress and Not Retrogression [subhead]**

The public ownership form of capital goods needs to be gradually studied, constantly reformed, and finally rationalized. Otherwise, it will be impossible to persist in public ownership. The characteristics of China's public ownership are "large, public in nature, and empty in content." State ownership is even more so. "Empty in content" means that capital goods do not have a direct economic relationship with those who use them. For example, electrical machinery products scrapped in 1982 amounted to 15.3 billion yuan. Who among the whole people really felt sorry about this? However, the shareholding system can unite the workers as one. It helps bring into play their initiative in enterprise management. As some workers have said, "We were supposed to be the masters of enterprises in the past, but we did not feel so. Now, we are laborers and shareholders, running a common risk and enjoying common benefit. Who of us does not expect that our enterprises will thrive? Who of us will continue to muddle along?" Obviously, the shareholding system has helped form a closer relationship of fundamental economic interests between capital goods and those who use them. This is progression and not retrogression.

**Commentator Urges Scientists in Businesses**  
*HK300155 Beijing GUANGMING RIBAO in Chinese*  
16 Sep 87 p 1

[Commentator's article: "A Demand of Reform, a Requirement of the Times"]

[Text] The in-depth reforms and modernization construction require some outstanding scientists to come out of their laboratories and play a leading role in the establishment and development of the high-technology industries in our country, and this is also the contemporary trend in scientific, technological, economic, and social development.

In the past 20 years, new technologies and inventions have kept increasing, and the period of technological renewal has become shorter and shorter. Closer relations between scientific research and social production have become more urgent in order to ensure that the advanced technologies can be turned into advanced productive forces as quickly as possible. In particular, the knowledge-intensive and technology-intensive high-technology industries need the leadership of people who have reached high scientific attainments. In addition, along with the progress of science and technology, basic research, applied research, and development research have now been interwoven and have overlapped in many fields, and it is harder to draw a demarcation line between them. The settlement of many technical problems in production needs the work of scientists who have received strict basic training. This shows that the alliance of scientists and entrepreneurs has become a need of the times. Part of the scientists will also act as entrepreneurs.



This is a result of the coordinated scientific, technological, economic, and social development. Surveys of some large enterprises in foreign countries, especially some high-technology enterprises, show that many of the general managers of these enterprises are experts and scholars with master or doctoral degrees, and they have made great successes in the work of developing their nations' science, technology, and economies.

Our country still lags behind the developed countries in the economic and technological fields, and the pressing task of the moment for us is to develop the national economy. The basic principle for our scientific and technological work in our country is to lay the solid foundation for basic research and gradually develop basic research. So full support should be given to the projects of basic research and applied research, which will have far-reaching influence on the development of the national economy. However, according to the current conditions in our country, it is more necessary to shift a number of scientists to the enterprise circles so that they will make contributions to the establishment of high-technology industries and to the transformation of the traditional industries with new technologies in our country. This is a matter not only concerning the fulfillment of the grand target of quadrupling the total industrial and agricultural output value by year 2000, but also having a major and far-reaching influence on our country's long-term economic development and social progress.

We should pay attention to historical experience. In a short period of 20 to 30 years, we succeeded in making atom bombs and hydrogen bombs and launching man-made satellites, because a number of outstanding scientists were shifted from the field of pure scientific research to the posts responsible for the projects in national defense. Only thus can we now possess the advanced nuclear and astronautics industries. Similarly, in order to establish and develop high-technology industries, we also need a number of scientists, like Wang Zhenxi, who have a strong sense of social responsibility, high academic attainments, and strong organization ability to devote themselves to this cause. With competent personnel in charge, we will not have high-technology industries and will not be able to make technological progress in the enterprises, and then, our economic take-off will become mere empty talk.

In the contemporary international competition, the level of scientific and technological development, especially the development level of the high technologies, has become a major yardstick to measure a nation's strength and its international status. We hope that more scientists who have the aspiration of closely combining science and technology with economic development will display their talent and capabilities on the stage of the high-technology industries.

**Journal on 1987 Economic Development Trend**  
HK290735 Beijing JINGJI GUANLI in Chinese No 6,  
[undated] 1987 pp 4-7

[Article by JINGJI GUANLI "special" commentator:  
"An Analysis of the Trend of Economic Development in  
1987"—edited by Liu Qichang (0491 0366 2490)]

[Text] At present, China's economic situation is very good. However, there are also many problems. The key to solving these problems and to maintaining steady economic growth this year is to increase production and practice economy, increase income and cut down expenses, and to increase economic benefits of various industries.

In the 1st quarter of this year, industrial production was rather smooth and the magnitude of growth was large. The accumulative total industrial production value of the whole country was 226.7 billion yuan, 14.1 percent more than that of the same period of last year. Industrial structure, and product structure were still under rational readjustment; and industrial economic benefits had also been improved. The main characteristics are: 1) The development of heavy and light industries had been coordinated well, and they had contributed to 50.9 percent and 49.1 percent to the total industrial production value respectively. 2) Industries with various types of economic ownership had achieved different degrees of production growth: whole-people industries had increased production by 9.4 percent; collective industries had increased production by 23.6 percent; and industries with other types of ownership had increased production by 77.4 percent. 3) Production of main raw materials and energy had achieved full scale growth. When compared with the same period of last year, the level of electricity generated had increased 9.9 percent, the production of crude oil had increased 5.5 percent, the production of steel had increased 7.4 percent, and the production of pig iron had increased 10.4 percent. 4) Agricultural sideline production had achieved fast growth. The production of chemical fertilizers, pesticide, diesel oil, and mixed fodder had increased 16.8-27 percent, and the production of small tractors had increased 42.5 percent. 5) The production of light and textile products which are saleable and have markets had achieved continual and substantial growth. Of these products, the production of bicycles had increased 20.5 percent, colour television sets 47 percent, domestic refrigerators 92.4 percent, domestic washing machines 22.9 percent, and the production of yarn, cotton cloth, silk and wool had increased more than 10 percent. 6) Exports had achieved very fast growth. The amount of industrial products purchased by foreign trade departments was 13.16 billion yuan, an increase of 33.6 percent. 7) The figures of the main indicators of economic benefits are better than the same period of last year. The production value of industrial enterprises had increased 10.4 percent, the amount of profit and tax achieved had increased 4.5 percent, and the amount of profit and tax turned over to the state had increased 4.1 percent. These



achievements have changed last year's situation, where although there was growth in production value, the amount of profit and tax was decreased.

Agricultural production had also achieved good results. This is because various areas of China strengthened leadership in agricultural production. These areas had started preparation work for spring farming in good time so that the irrigation facilities were restored and strengthened. Moreover, agricultural sideline production and the amount of agricultural loans allocated by banks had largely been increased. The production of summer grains which is planted in the 0.46 mu farmland of the country is very promising.

Transportation duties have been promptly fulfilled. The volume of goods circulated in the 1st quarter of the year increased 6.9 percent; the volume of passengers transhipped increased 11 percent; the total volume of goods transported by civil aviation increased 33.8 percent; and the volume of postal and cable services increased 11.9 percent.

City and village markets were very busy and active. Both the amount of commodities purchased and the amount of commodities sold were very large. The volume of edible, clothing, and consumable commodities sold had generally increased. When compared with the same period of last year, the total retail sales of social commodities was increased month by month and the accumulated amount in this period was 138.21 billion yuan, an increase of 17.5 percent. The actual increase is 11.9 percent when the amount of inflated prices is deducted.

The volume of exports was substantially increased. When compared with the same period of last year, exports were increased by 42.8 percent. The amount of foreign exchange reserve was also increased.

Financial revenue of the period increased, and revenue exceeded expenses. The situation of money inflow was fine.

The main problems of the development of the national economy in the 1st quarter of this year are: 1) the amount of fixed capital investment was too huge. The amount of completed fixed capital investment of whole-people enterprises was 17.09 billion yuan, 26.2 percent more than that of the same period of last year, and the second highest amount achieved in the last 9 years. There were 2,473 new projects started in this period—358 more than that of the same period of last year. This was mainly due to the increase in unplanned investment projects and an increased in local investment projects. Among these investment projects, 2,233 of them were new investment projects, amounting to 90.3 percent of the total number of new investment projects. Most of these projects are small projects under 1 million yuan. 2) The amount of consumption funds was substantially increased. The total wage bill for staff and workers in the first quarter of this year was 38.73 billion yuan, 16.7

percent more than in the same period of last year. The amount of wage expenses of the administrative and production units of enterprises in village and towns amounted to 3.34 billion yuan, an increase of 48.7 percent. The purchasing power of social groups had achieved very fast growth. The amount of retail consumer goods sold to social groups was 12.6 billion yuan, an increase of 26.4 percent. The phenomena of extravagant distribution of bonuses and material rewards were very serious. 3) The manufacturing cost of the products produced by industrial enterprises was increased, and the amount of losses incurred was also increased. On the basis of an increase of 6.6 percent in the manufacturing cost of comparable products in last year, there was another increase of 5.4 percent in the first quarter of this year. The amount of losses incurred by loss-making enterprises was increased by 41.9 percent. Nearly one quarter of the whole people enterprises had incurred different degrees of losses.

Looking into this year, it is expected that the 7 percent planned increase in industrial production in this year will be achieved. It is also estimated that industrial production in the second and third quarters of this year will increase by more than 7 percent, and that of the fourth quarter will increase by about 1.5 percent. The problem is that starting from the second quarter, particularly in the third and the fourth quarter, the favorable factors of the first quarter would become unfavorable factors. The basic industrial production growth rate of last year was rather low at the beginning of the year and became high at the end of the year (the growth rate in the first quarter of last year was 4.4 percent, in the second quarter was 5.3 percent, in the third quarter was 9 percent and in the fourth quarter was 17.3 percent). The growth rate of the period from the second to the fourth quarter of this year will be decreased quarter by quarter. If the production growth rate in the first three quarters is low, there will not be much growth in the fourth quarter. Besides, industrial production this year will also have to face the following acute difficulties: First, the tightening of working capital; second, the problem arising from imports—the material and goods which have to be imported has not yet been approved; and third, the decrease in the amount of capital owned by enterprises, as a result of issuing bonds and raising social funds. The fourth difficulty is the shortage of electricity supply. We should adopt effective measures to solve these problems. If these problems are solved, the situation of industrial production in this year will be improved through the deepening of reform. It will also be improved by enlivening the enterprises, and by fully arousing the enthusiasm enterprises in increasing production and saving resources, and in increasing income and reducing expenses. Thus, on the basis of raising economic benefits, industrial production would be increased by about 9 percent. To realize this estimation, we should seriously carry out the following tasks:

I. The Program To Increase Production and Practise Economy, and To Increase Income and Cut Down

**Expenses Should Be Continuously Implemented Thoroughly and in a Down-to-earth Manner [subhead]**

The "double increase, double economy" campaign is being implemented throughout the country. Viewed from a general aspect, the program has made a good start and the development is smooth, and some areas have begun to achieve successes. However, the development of the program is not balanced. According to the investigation in some areas, the staff and workers at present have relatively sufficient motivation and concrete targets, and have carried out practical measures. About 30 percent of the enterprises have already started working toward the production targets, and these targets have been allocated to the workshops, production teams and groups, and individual workers. About 60 percent of the enterprises have been carrying out measures to motivate the masses, allocate the production targets, and implement the measures. About 10 percent of the enterprises, for whatever reasons, still remain at the stage of responding only to the call for "double increase, double economy" and have not taken any actual action.

In some areas and enterprises, some of the cadres and staff and workers still do not understand clearly the importance and urgency of the campaign for "double increase, double economy." Some of them think that their potential has almost been exhausted, and the "double increase, double economy campaign" will not give them much benefit. Some feel that it is not easy to carry out this campaign as there are serious shortages of raw materials and electricity, and sharp increases in the prices of the means of production. Some just organize a small number of people to discuss the campaign among themselves and do not pay attention to motivating the masses. Some confused ideas also exist among some workers, particularly the young workers. These circumstances indicate that the campaign for "double increase, double economy" is currently still at the beginning stage of arousing the masses of staff and workers, the ideology has still to be emphasized, and the tasks have still to be deepened. To further arouse and deepen the program and to achieve greater success, the following measures should be clearly defined by guiding the thinking of the staff and workers.

First, we should further deepen the staff and workers' understanding on the important meaning of the problem for "double increase, double economy." China is still a developing country which has a huge population, a low level of technology, and a low level of productive forces. It is still at the initial stage of socialism, and the practice of having high wage levels and a high consumption level is not suitable for the Chinese situation. The important principles of constructing socialism with Chinese characteristics are: struggle with hard efforts; build up the country through thrift and hard work; and run enterprises industriously and thriftily. The fundamental policies to construct China's socialist modernizations are: to increase production and to practice economy, and to

increase income and cut down expenses. These principles and policies have important practical, deep and long-term meanings in strengthening the construction of socialist material and spiritual civilizations. We should make masses of staff and worker realize that the policy of "double increase, double economy" is the fundamental as well as the long-term policy that we must insist on carrying it out at all times through deep and fine, lively and vigorous ideological education. Thus, the sense of responsibility and the consciousness of staff and workers in carrying out this policy can be strengthened.

Second, we should arouse the enthusiasm of the masses, make the policy a popular topic to be frequently discussed in society, and a vivid and dramatic program that every family will know about. All enterprises should let the masses of staff and workers know the duties, requirements, conditions and difficulties of the policy. They should also arouse and organize discussions among the masses, induce the masses to investigate and discover the defects of the policy, and give their opinions. The masses should also be encouraged to exploit the potential of the enterprises, and to explore a new path for the policy of "double increase, double economy." In addition, the measures of this policy should be concretely carried out by every workshop, every administrative and technical office, every production team and group, and each individual staff member and worker. The administrative units of enterprises, the party, labor unions, and the Communist Youth League organizations should also take positive action and should coordinate with each other in carrying out the program in a proper way. The practices of rationalizing the suggestions of the masses, and developing technical innovation and technical cooperation should be widely launched. Moreover, technical competition among different areas of enterprises should also be launched, and various forms of socialist labor competition should also be developed. In launching these activities, we should aim at achieving concrete results, and should avoid the practice of raising a hue and cry, and formalism.

Third, we should insist on achieving economic benefits and aim at increasing income. At present, some areas and enterprises have increased production, but their income has not been increased or has been only slightly increased. This situation should be reversed. We should lower the cost of production and increase income by increasing the production of the saleable and marketable products, and by reducing wastage, and cutting down expenses. At the same time, we should guarantee the quality of the products, improve production safety, pay attention to the maintenance of equipment, and avoid short-term behavior.

**II. The "Double Increase, Double Economy" Policy Should Be Tightly Combined With the Deepening of Reform [subhead]**

Under the situation in which the new system is replacing the old, the situations of various enterprises are different from each other, and the scope of relationship between



the state and enterprises is still difficult to prescribe, it is advantageous to arouse the enthusiasm of the staff and workers of the enterprises to the greatest extent by implementing the policy of contracted operation of business in enterprises. Enthusiasm can also be aroused by combining this policy with the internal economic responsibility system of enterprises, and by linking the enterprise income with the benefits of the staff and workers. The practices of many areas and enterprises indicate that when the policy of contracted operation of businesses has been implemented in enterprises, the income of the state will be increased. Moreover, the vitality of the enterprises will be increased, and their self-regulatory ability will also be strengthened. In implementing the policy of contracted operation of businesses, some of the possible defects of the policy can be avoided and overcome if we insist on the following principles.

First, the contents of the contract. Not only should the amount of profit and tax that the enterprises have to turn into the state be stipulated in the contract, the total amount of technology innovation fund and the total amount of wages of the staff and workers of enterprises should also be stipulated. This practice is advantageous to the all-round improvement of the management of the enterprises. Second, the contract period. The law of definite proportions and the law of compound proportions should be combined, and we should emphasize the implementation of the former. Once the proportions are fixed, they should be maintained for several years and should not be changed in this period. This practice is to avoid frequent changes in enterprises, and it is advantageous in their long-term planning. Third, the scope of the contract. The system of contracted operation of businesses should cover enterprises which have high potential or low potential to develop, and enterprises which are suffering losses or are gaining profits. Besides, the practice of motivating enterprises should be combined with the practice of forcing them to adopt the system of contracted operation of businesses. This is a way to explore a new path and to block the route of retreat. The situation in which some of the enterprises in an industry have adopted the contract system, but other enterprises in the same industry have not implemented it and still "eat from the same big pot" should be avoided. Fourth, the form of the contract. Different areas should have different forms of contract which are suitable for their situations. The form of the contract should not be restricted to a particular type, and uniformity should be avoided. Fifth, the distribution system. We should let enterprises get more benefits from the increases in their benefits. This is a way to motivate the enterprises to increase production and income, to cut down expenses, and increase income. At the same time, we should also formulate measures to induce enterprises to put a large portion of their income into the production development fund which is designated for technology innovation and production expansion. Inside an enterprise, the policy of distribution according to labor should be implemented, and the wage gap should be appropriately enlarged. However, we should avoid an excessive income gap

between managers and staff and workers. Income tax should be levied on the high income earners in enterprises so that the consumption fund can be controlled. The sixth principle is that we should direct the enterprises to pay attention to their latent ability, deepen the exploitation of their internal potential, and refrain from requesting the state to cut taxes or reduce the amount of profit to be turned into the state.

### III. Enterprises Should Be Protected and Activated [sub-head]

At present, enterprises in various areas have encountered many difficulties in organizing industrial production. These difficulties have weakened the vigor of the enterprises, and have also suppressed the enthusiasm of the enterprises in implementing the "double increase, double economy" policy. We should solve these problems realistically.

The first problem is that production and income are not aligned. This had led to the phenomenon of enterprises suppressing the production value and racing for high production speed one-sidedly. The financial responsibility handed down to local areas this year is very heavy, and has exceeded the capability of the enterprises. For example, a province has planned to have a 6.6 percent industrial growth this year, and it has also planned to increase its financial income by 14.4 percent this year. Under this situation, it needs to have an 18 percent industrial growth in this year or otherwise its financial responsibility cannot be fulfilled. If this situation continues, the various problems arising from an overheated economy will appear again. As a way to fulfill the financial responsibility which is too heavy for the enterprises to bear, some areas have cancelled the method of tax exemption which is designed to encourage development of new products, and have also cancelled the policy of setting higher prices for high quality products. This practice, which is similar to the practice of pumping out all the water in the fish pond, should be readjusted immediately.

The second problem is the common phenomenon of unplanned allocation of responsibility, unplanned fund raising, and unplanned collection of fees. These practices have placed a very heavy burden on enterprises. One of the important reasons for the slow growth in the amount of profit and tax of enterprises is that they are pressed by various government authorities to take up unplanned responsibility, to contribute money, and to pay extra fees (the "three burdens"). The enterprises have thus lost income in the intermediate links in the production chain. Although the state has frequently stressed the prohibition of these practices, they have not yet been stopped and have even become very serious in some areas. This year, the state and some local governments have issued bonds to raise funds for various construction projects. Some local governments do not allow enterprises to subscribe to the bonds freely, but ask them to



buy equal allotments of bonds. The burden on enterprises has thus been increased. As a result, some enterprises not only have to use all their production development funds to buy the bonds, but also have to use special funds such as the depreciation fund and the repair fund to buy the bonds. Thus, the technology innovation program of enterprises has been affected, and the current normal production has also been affected. A large scale program to inspect and to correct the "three burdens" should be implemented throughout the country. We should also study and formulate regulations and laws to prohibit the "three burdens" so that the rights and the benefits of enterprises can be legally protected.

The third problem is that the principle of carrying out production before construction, and innovating existing technology before purchasing new technology has not been thoroughly implemented; and enterprises lack reserve strength. At present, many construction sites have been developed in the cities and towns all over the country. Due to the above mentioned problems, enterprises have great difficulty in carrying out technology innovation and transformation. Much of their equipment is very old and does not function properly. Moreover, due to the lack of funds, the newly installed technology and equipment cannot be quickly put into production. Under such circumstances, how can the continual development of production be maintained in the next 2 years, and how can the duty to "lay the foundation" for the next 10 years be fulfilled? When basic construction and the purchasing power of social groups are condensed, social demand will be reduced in the second half of this year, and this will then be the best time to carry out technological innovation of enterprises. To maintain an appropriate level of social demand and to fully exploit the present production capacity of enterprises, an appropriate production growth rate should be maintained, and the speed of technology innovation of enterprises should necessarily be increased. We suggest adopting the following measures to encourage technological innovation of enterprises: The contract responsibility system should be implemented to induce enterprises to put more of their financial resources into technological innovation projects. The existing policy of encouraging enterprises innovation and transformation, and encouraging technological advancement in enterprises should be upheld. This policy should not be changed unless the change in policy is approved by the State Council or the departments in charge. However, this policy can be further relaxed when circumstances allow. Various ranks of enterprises should reserve the financial resources and surplus income which are released from contraction of expenses, and use them to innovate and transform the enterprises. The practice of developing new construction investment and expanding existing construction investment in the name of technology innovation should be prohibited. Macroeconomic direction and supervision should be strengthened.

IV The Relationship Between Compression of Atmosphere and Guaranteeing Production Should Be Correctly Handled [subhead]

To compress the atmosphere is not to suppress production. It means compressing unplanned fixed capital investment, cutting down on administrative expenses, and reducing the fast growth rate of consumption funds. The aim of this practice is to guarantee continued and steady production growth. In recent years, the problem of over-expansion of fixed capital investment had been controlled. The expansion of the scale of fixed capital investment has not only enlarged the volume of social demand, it has also resulted in present production needs not being able to be guaranteed by the limited quantity of material and the limited amount of funds. This situation has affected the role of the present production capability and the increase in total social supply, and the gap between the total volume of social demand and supply is thus enlarged.

At present, many areas still have great enthusiasm in developing basic construction. Some people said that as the expanded atmosphere is being compressed, they would hold their basic construction investment projects in the meantime and would start again when the atmosphere is not so tight. Some said that the backward areas which have just been developed should not be compressed; and as the advanced areas can bring good benefits, they should not be compressed but should be encouraged. Some also said that the central and the local governments would have their own key stresses, and these key stresses should be ensured. This situation indicates that there is a lack of universal understanding of the meaning of compression of the atmosphere, and the policy of "three guarantees and three reductions" (to guarantee the planned construction projects and to reduce the unplanned ones; to guarantee production construction and to reduce nonproduction construction; to guarantee key constructions and to reduce non-key constructions) has not yet been implemented. The various unplanned construction projects have worsened the shortages of raw materials, capital, and transportation services. Therefore, we have to make up our minds, on the basis of further unifying the interpretations of compressing the atmosphere, to implement strong measures to control the uses of the financial resources, material supplies, and transportation capacity which are released through the implementation of the policy of "three guarantees and three reductions" to ensure the fulfillment of the key production construction projects and the key technology innovation projects which must be fulfilled in this year.

V. The Material Supplies Required by the Planned Production This Year Should Be Ensured [subhead]

The serious shortage of raw materials is one of the great difficulties in implementing the "double increase, double economy" campaign this year. The first reason for this is that some production enterprises have not produced the products according to the category, standard, amount, and prices stated in the state mandatory plans. The second reason is the excesses and the deficiencies in the supply of some essential imported raw materials,

particularly rolled steel. The third reason is that the policy to transfer the right to import raw materials from the central government to the local governments has not yet been implemented. The fourth reason is the shortages of the supplies of industrial salt and sugar. In order to solve the problems of raw material shortages, we have aroused the enthusiasm of the production enterprises to increase the production short-term raw materials and to strengthen the supervision in the carrying out of the mandatory plans. At the same time, we have to condense the present stocks of raw materials, to encourage economy in using raw materials, and to positively carry out the task to collect and make use of waste and old materials in production. On the other hand, we have to readjust the import structure. The importation of mechanical and electrical products should be seriously restricted so as to ensure the importation of the essential raw materials.

Another acute difficulty in organizing production this year is the great increase in the prices of the means of production. It is estimated that the decrease in enterprise income which has resulted from the increase in the prices of the means of production in this year is about half of the profit earned by the enterprises in last year. This problem is more acute in the mechanical industrial enterprises. the increase in raw material prices is partly due to the price readjustment policy. Enterprises should absorb the increased amount through the implementation of the "double increase, double economy" policy. However, part of the increase in raw material prices is due to the extravagant increase in prices and the extravagant collection of fees by the production units. Therefore, we should strengthen the inspection and supervision tasks. The raw materials required by the plans should be unconditionally supplied by the departments concerned. The raw materials required by unplanned production should only be obtained from the market for the means of production. The maximum amount of this

type of raw materials which can be bought in the market should be fixed, and any enterprise which has violated this regulation has to be heavily penalized. We should realize that under the present situation where the old and new systems co-exist, various reforms are not comprehensive, the market structure is not perfect, the market for the means of production has not yet been formed, so the shortages of raw materials cannot be solved by simply letting the prices be determined by the supply and demand forces. We should combine economic methods with necessary administrative means in solving this problem.

This year is the critical year in the Seventh 5-Year Plan. We should not ignore, and should not be frightened by, the existing problems. We can maintain, and continue to develop, the good situation by seriously carrying out the above tasks, and by implementing the policy of "double increase, double economy" in a down-to-earth manner.

#### **Correction to Report on Rural Economy**

The following correction pertains to the item headlined "Report on Progress in Rural Economy," published in the 23 September China *Daily Report*, pages 23 and 24.

Page 23: Make heading of fifth column of table read "...Increases in 8 Years (percent)..." (changing notation 'r' to 'percent')

Page 24: Change figures in third column of continuation of table to '445\*' and '243\*', inserting the dropped asterisks after the figures.

Page 24, same table: Make last sentence of table read "...Note: asterisk indicates 1985 figures..." (adding dropped word 'asterisk')

Page 24, second table: Make heading of fourth column read "...Increases in 1986 Over 1978 (percent)..." (changing notation 'r' to 'percent')

### East Region

#### **Chen Guangyi at Fujian Rescue Work Meeting** *OW271101 Fuzhou FUJIAN RIBAO in Chinese* 17 Sep 87 p 1

[Dispatch by Zhou Xinde and Chen Biao of FUJIAN RIBAO; Weng Deyun of the Ningde Prefectural Liaison Office; and Liu Yining of the provincial radio station]

[Excerpt] The provincial party committee and the provincial government convened an office work meeting on rescue and relief work in Ningde this evening and called on disaster areas to resume production as soon as possible, launch a campaign to encourage the masses to provide for and help themselves by engaging in production, and strive for a bumper harvest by combating natural disasters.

Chen Guangyi, secretary of the provincial party committee; Wang Zhaoguo, acting provincial governor; Wen Xiushan, Chen Mingyi, Su Changpei, and other leading cadres of concerned provincial departments and Ningde Prefecture and County, attended. The meeting heard a report by a disaster investigation team of the provincial government and discussed issues related to providing disaster relief. [passage omitted]

#### **Han Peixin on Jiangsu's Economic Reform** *OW262147 Nanjing Jiangsu Provincial Service* in Mandarin 2300 GMT 25 Sep 87

[Text] According to a *Xinhua Ribao* report, while delivering a report on the current situation in the Party School of the provincial party committee on the afternoon of 22 September, Han Peixin, secretary of the provincial party committee, emphatically pointed out that reform is the motivating force behind Jiangsu's economic and social development.

Listening to the report were the entire study class of leading cadres of provincial departments and bureaus, the entire study class of leading cadres of institutions of higher learning, the entire 1987 cadres training class, the entire discipline inspection cadres class, the entire propaganda cadres class, and the entire theoretical class, as well as teachers and staff members of the Party School. Altogether, more than 700 people heard the report.

Comrade Han Peixin said: Statistics from 1979 to 1986 show that during those 8 years, Jiangsu's total social output, total industrial and agricultural output, gross national product, and national income simultaneously increased relatively quickly and all of them doubled during the Sixth 5-Year Plan.

Why has Jiangsu achieved such unprecedented results?

Han Peixin continued: First, since reform was first initiated in the rural areas, it has greatly bolstered the countryside's productive forces.

Second, the reform of the industrial management system has given the enterprises decisionmaking power, strengthened their management system, and aroused their competitive and pioneering spirit, thereby accelerating Jiangsu's industrial development.

Third, while continuing to first develop industries under the ownership of the whole people, we also emphasize the development of industries under the collective ownership system, particularly village and town industries.

Fourth, the in-depth integration of the urban and rural areas and the development of lateral economic ties have brought about a comprehensive structural reform of the urban economy with focus on invigorating the enterprises.

Fifth, opening to the outside world has injected new vitality into Jiangsu's economy and greatly expanded the scale and speed of Jiangsu's economic participation on the international market.

Sixth, structural reform of the scientific, technological, and education systems has linked science, technology, and education with economic construction by translating production ability into real production.

#### **Jiangsu Secretary Heads Funeral Committee** *OW261245 Nanjing Jiangsu Provincial Service* in Mandarin 2300 GMT 24 Sep 87

[Text] Comrade Liao Yunze, member of the Sixth CPPCC National Committee, vice chairman of the provincial CPPCC Committee, chairman of the provincial Chinese Kuomintang Revolutionary Committee, and president of the Jiangsu Chapter of the Whampoa Alumni Association, died after a long illness in Nanjing at 1315 on 23 September 1987. He was 85. A funeral committee for Comrade Liao Yunze, with Han Peixin as chairman, has been formed.

#### **Nanjing PLA Rational Militia Structure** *HK260617 Beijing JIEFANGJUN BAO in Chinese* 19 Sep 87 p 1

[Report by reporters Cai Yunao (5591 0061 7514) and Ding Zaixin (0002 0961 2450): "Nanjing Military Region Is Searching for a Militia and Reserve Structure, With Pilot Projects Organized in Five Eastern Provinces and One Municipality"]

[Text] The Nanjing Military Region has made some suggestions with keen insight regarding the developmental trend of the militia and reserve service through demonstrations at pilot projects in the coordinated development of organization, training, and equipment in militia work carried out in five eastern provinces and one municipality, during which readjustment of the militia has been carried out and the establishment of a rational reserve structure has been probed.



Since the beginning of 1987, the Nanjing Military Region Headquarters has conducted pilot projects in the coordinated development of the specialized technical troops of the militia, in organization and training, and in equipment in the PLA Shanghai Garrison and in the Jiangsu, Zhejiang, Anhui, Jiangxi, and Fujian Provincial Military Districts. Toward the end of June, the Nanjing Military Region called a meeting to exchange experiences at one of the units undergoing the pilot project, the Huaiyin Military Sub-district, Jiangsu. Representatives from the five eastern provinces and one municipality carried out earnest demonstrations based on the experiences of Huaiyin and other units undergoing the project. The comrades participating in the pilot project in the five eastern provinces and one municipality believed the reserve structure has undergone tremendous changes as the PLA organizational structure gradually develops toward coordination of various arms of the services; therefore, the reserve structure of the militia must change correspondingly, while the training of its specialized technical forces must follow closely. At present, the garrisons and provincial military districts under the Nanjing Military Region are gradually readjusting the reserve structure of the militia, and the proportion of its specialized technical training is growing larger and larger with each passing day.

With the slimming of the militia and the updating of the components of the reserve forces, the basic training of the militia itself will be gradually reduced, while the proportion of military training among college and high school students and for workers and staff before their employment will gradually grow. The formation of specialized technical arms characterized by "small but complete," overly stressed in the past, is undergoing gradual changes, and a new and relatively decentralized formation, transcending trades and units, is gradually taking shape in the military region. It was the usual practice that many units established specialized militia elements in a factory or a village or township, and the units in charge were overly burdened, and the rate of participation in training was low. Through extensive investigation and demonstration, the Nanjing Military Region has adopted the method of forming militia specialized units by transcending trades, prefectures, and counties and selecting the pick of the bunch, and this issue has been resolved rather well.

**Shandong News, Publication Bureau Set Up**  
*SK251146 Jinan DAZHONG RIBAO in Chinese*  
9 Sep 87 p 1

[Text] With the approval of the State Council, the provincial people's government issued a circular on 5 September on establishing the Shandong Provincial News and Publication Bureau which will be directly under the provincial people's government and will begin its official work on 15 September. The provincial News and Publication Bureau will be in charge of the administration of journalism and publication undertakings.

**Liang Buting on Scientific Institutes**  
*SK270700 Jinan Shandong Provincial Service*  
in Mandarin 2300 GMT 24 Sep 87

[Text] The 3-day provincial meeting on experiments for decontrolling scientific research institutes and scientific and technological personnel, which has attracted the attention of a large number of scientific and technological workers, concluded in Jinan on the afternoon of 24 September. According to information obtained by this reporter, Shandong Province's experimental regulations on deepening reform of the scientific and technological structure will soon be promulgated. These regulations will be the policy basis for decontrolling and allowing flexibility to scientific research institutes and scientific and technological personnel.

During the meeting, Liang Buting, secretary of the provincial party committee; and Jiang Chunyun, deputy secretary of the provincial party committee and provincial acting governor, visited the representatives of the meeting's participants, and listened to the report on the situation of the meeting.

Provincial Vice Governor Ma Changgui spoke at the meeting. He said: We should give prominence to the work of decontrolling and allowing flexibility to scientific research institutes and scientific and technological personnel, and consider this work the focal point of the current reform of scientific and technological structure. At present, in relaxing control over scientific research institutes, we should focus on continually and vigorously promoting multi-form and multi-level lateral associations between scientific research institutes and production units, and on exploring new ways to closely combine science and technology with the economy.

Ma Changgui pointed out: To allow flexibility to scientific research institutes, the key lies in the endeavor of responsible departments of governments at all levels to streamline administrative procedures, delegate powers to lower levels, and separate the functions of government departments from those of scientific research institutes. Departments under governments at all levels that are responsible for the work of scientific research institutes should, from now on, devote their efforts to guiding these institutes to implement various principles and policies and to coordinating their work. By no means should these departments occupy the allocations and staff of the scientific research institutes. Within scientific research institutes, the focal points of their work are comprehensively popularizing the director responsibility system and the system that the director holds responsibility for attaining certain objectives during his tenure, and gradually attaining the goal of separating ownership from management power.

Speaking on the issue of allowing flexibility among scientific and technological personnel, Ma Changgui said: At present, in allowing flexibility among scientific

and technological personnel, we should focus on selecting and sending scientific and technological personnel to grass-roots units in a planned and well-organized manner to fully display their abilities. Scientific and technological personnel should also be encouraged to flow to other units in a reasonable manner by being transferred to other posts, suspending them from their duties but continually giving them salaries, and quitting their jobs. From now on, large enterprises where key scientific research institutes and scientific and technological personnel are concentrated should regularly select and dispatch their scientific and technological personnel to serve grass-roots units.

**Shanghai Secretary Inspects Food Production**  
*OW260818 Shanghai City Service in Mandarin*  
2300 GMT 24 Sep 87

[From the "Morning News" program]

[Excerpts] On the afternoon of 24 September, leading comrades including Rui Xingwen and Wang Liping, secretary and secretary general of the municipal party committee, went to (Kangjia) Village of (Miaohang) Township in Baoshan County to inspect its nonstaple food production.

Secretary Rui visited village farms raising dairy cows, egg-laying hens, and pigs for export. On the visits, Secretary Rui inquired in detail about such questions as the breed of cows, hens, and pigs; the economic benefits from raising these animals; the supply sources for feed; state procurement prices; and measures taken to prevent diseases. [passage omitted]

According to another report, on 24 September Rui Xingwen held a discussion with party committee secretaries, trade union chairmen, CYL committee secretaries, and old and young workers of some factories in the municipality. The discussion, which took place at the (Dazhonghua) rubber plant, centered on the current situation, the ideological and political work among staff members and workers, and other questions.

**Central-South Region**

**Henan's Yang Xizong on County-Level Reforms**  
*HK300257 Zhengzhou Henan Provincial Service*  
in Mandarin 1230 GMT 29 Sep 87

[Text] Provincial party committee Secretary Yang Xizong said at a forum on comprehensive reform pilot project counties, which concluded yesterday, that it is necessary to further emancipate the mind, strengthen reform consciousness, base efforts on local realities, and do creative work when carrying out comprehensive structural reform at county-level.

Yang Xizong said the results of the reforms carried out in comprehensive reform pilot project counties in the previous stage are now becoming evident. We have made

a comparatively good start. However we must realize that our work is far from meeting the demands of the development of reform as a whole. Our reform consciousness is not strong enough, our strides are not big enough, and our vision is not broad enough. In some places restrictions have been placed on the management powers delegated to lower levels.

To further improve pilot project work in the future, Yang Xizong said that the leading cadres at all levels should further emancipate their minds, enhance their understanding, and invigorate county-level reforms. They should reform the old setup and perfect the new one. It is necessary to have a scientific attitude in carrying out reform, carry out full investigation and study, and adopt various means to invigorate county-level economy. We must continue to promote the contract responsibility system, perfect the commodity market, and do a good job in organizing the capital goods market. We must also speed up reforms of the financial system. At the same time, we must organize pilot projects in political structural reform. Comprehensive structural reform should be integrated with economic construction, and the two should stimulate each other.

The prefectures and cities and the provincial departments concerned must support the work of pilot project counties and create a good environment for their reforms. They must ensure that the work in the pilot project counties is done well.

Cheng Weigao, deputy secretary of the provincial party committee and acting governor, attended and spoke at the meeting. Yao Minxue, deputy secretary of the provincial party committee, chaired the meeting.

**Hubei Secretary at CPPCC Conference**  
*HK290417 Wuhan Hubei Provincial Service*  
in Mandarin 1000 GMT 24 Sep 87

[Excerpts] A provincial CPPCC work conference opened grandly in Wuchang this morning. [passage omitted]

Provincial CPPCC Committee Chairman Li Wei presided over the conference. Provincial party committee Secretary Guan Guangfu delivered an important speech.

In his speech Guan Guangfu on behalf of the provincial party committee and government, first wished the conference success. He then reported to the delegates on adhering to reform and opening up, on opposing bourgeois liberalization, on industrial and agricultural production, on market and prices, and on the regular building of the party.

Guan Guangfu said: We have conducted reform and opened up to the outside world for 8 years. Radical changes have taken place in the province's economic and

social life. We have achieved marked results in all our work. Although we still have some shortcomings, the general situation in reform and construction is very good.

Guan Guangfu demanded that party organizations at all levels and party members and masses in the province, including CPPCC committee comrades at all levels, do their work in a new way, make contributions to fulfilling this year's national economic plan in an all-round way, and make preparations for successfully fulfilling the various tasks to be put forward at the 13th CPC National Congress.

On CPPCC work, Guan Guangfu stressed: In the new historical period we must strengthen CPPCC work, and not weaken it. This is undoubted. To strengthen CPPCC work, CPPCC committees themselves must of course make efforts. But party committees and governments at all levels must also assume responsibility. Provided that joint and concerted efforts are made, many things can be done.

He then spoke of four problems in future CPPCC work.

1) It is necessary to deepen our understanding of the importance of CPPCC committees and to conscientiously strengthen CPPCC work. 2) Make strenuous efforts to turn political consultation and democratic supervision into a regular system and make active contributions to reform, opening up, and the building of two civilizations in the province. 3) Further develop a broad patriotic united front so as to serve the grand cause of reunification of the motherland. 4) Seriously hold CPPCC congresses at all levels and elect new CPPCC committees, and make strenuous efforts to build a contingent of CPPCC cadres that can meet the needs of the new situation. [passage omitted]

This afternoon a panel of delegates discussed Comrade Guan Guangfu's speech.

Some 280 people attended the conference including responsible persons from CPPCC committees in all cities, autonomous prefectures, counties, and districts, and from liaison groups dispatched by CPPCC committees in all prefectures. [passage omitted]

**Hubei Urges Crackdown on Serious Crime**  
*HK290257 Wuhan Hubei Provincial Service*  
*in Mandarin 1000 GMT 28 Sep 87*

[Excerpts] The Political and Legal Commission of the provincial party committee held an urgent meeting of prefectural and city political and legal commission secretaries in Wuchang today. The purpose of the meeting was to relay and implement the spirit of the provincial party committee's recent instructions on strengthening public order work and to make further arrangements for cracking down on serious crime, so as to eliminate factors of instability, ensure the smooth progress of reform and opening up, and create an excellent social

climate for the victorious convening of the 13th Party Congress. (Tian Qiyu), member of the Standing Committee of the provincial party committee and secretary of the Political and Legal Commission, spoke at the meeting.

The meeting held that the province's current political and economic situation is good and, generally speaking, the situation in public order is also good. However, the public order situation remains rather complex, and there are many new situations and problems. In particular, major and very bad cases are occurring at times. A very small number of criminals who have committed serious crimes remain very arrogant. There are many negative factors affecting public order. There are some weak links in the security work of internal units. There are many hidden dangers and loopholes. Security responsibility systems have not been sufficiently firmed up.

The meeting demanded that the party committees, government, and political and legal departments at all levels keep clear heads and seriously implement the relevant important instructions of the central and provincial party committees, unswervingly implement the principle of punishing people severely and rapidly according to law, and crack down hard on serious crime and other sabotage activities. [passage omitted] They must take decisive and resolute measures to eliminate factors for instability in society and get a really good grasp of current social order work. [passage omitted]

The meeting stressed that it is essential to continue to get a good grasp of the drive to check on hidden dangers, loopholes, and factors for instability, which has been launched throughout the province. The focus is on correcting things where hidden dangers are found and getting a good grasp of precautions against crime. In particular, it is essential to take decisive action to correct major hidden dangers in public order as quickly as possible; there must be no delaying things.

Organs, schools, enterprises, and undertakings throughout the province must seriously study, publicize, and implement the regulations on internal security adopted by the provincial People's Congress Standing Committee, strengthen internal security work, eliminate all types of carelessness and bureaucratism, and firm up the security responsibility systems. We must reduce to the minimum the occurrence of cases and of incidents harmful to public order, to ensure that no incidents will occur during National Day and the 13th Party Congress.

**Soldiers Court Martialed for Hunan Killing**  
*OW281542 Beijing XINHUA in English 1430 GMT*  
*28 Sep 87*

[Text] Changsha, September 28 (XINHUA)—Two members of China's Air Force have been taken into custody and will soon be court-martialed for beating a university student to death in Changsha, capital of central China's Hunan Province.



Meng Yanfang and Jian Xiubing, soldiers at an Air Force base in Changsha, beat Jiang Gaohui, a freshman at Hunan University, to death on September 21. The incident broke out when Jiang and two other students passed the barracks and began quarreling with Meng and Jian over a basketball.

According to military sources, the Central Military Commission has expressed deep concern over the incident and has ordered Meng and Jian to be punished according to law as quickly as possible, and has also ordered the base to tighten discipline.

The commission dismissed the base commander and named him responsible for slack discipline at the base, though he is not directly responsible for the incident, the sources said.

Provincial leaders and base officers have explained to students and teachers at the university and soldiers at the base the facts of this incident, and the attitude and measures taken in settling the situation.

**Hunan's Mao Zhiyong Chairs Ideology Forum**  
*HK270339 Changsha Hunan Provincial Service*  
*in Mandarin 0100 GMT 27 Sep 87*

[Excerpt] A provincial forum on ideological and political work opened in Shaoyang City yesterday. Mao Zhiyong, secretary of the provincial party committee, and (Xia Zanzong), member of the Standing Committee of the provincial party committee, attended. Comrade Mao Zhiyong presided and spoke.

The main aim of this meeting is to study and popularize the experiences of the Propaganda Department of the Shaoyang City party committee in organizing all theoretical detachments to carry out ideological and political work in a sincere way. The meeting also aimed to sum up and exchange new information and experiences of various places and units in carrying out ideological and political work since the Zhuzhou and Huaihua meetings, and to study how to further improve the party's ideological and political work and carry out education in the two basic points to suit the development of reform, opening up, and socialist construction in the province, and to make still more effective preparations in ideology and public opinion for the 13th Party Congress. [passage omitted]

**Southwest Region**

**Better Sichuan Nationality Work Urged**  
*HK270742 Chengdu Sichuan Provincial Service*  
*in Mandarin 0100 GMT 23 Sep 87*

[Station commentary: "Deepen Reform, Push Nationality Work to a New Stage"]

[Excerpts] Sichuan is a multinational province. Minority nationality areas occupy a very important strategic position in the province's four modernizations.

Since the 3d Plenary Session of the 11th CPC Central Committee, the province's nationality work has entered a new historical stage. Many facts have proved that this period has indeed been the best period since the founding of the PRC in nationality work and also a period characterized by frequent difficulties and arduous tasks. The only way to accelerate the pace of economic development in minority nationality areas is to deepen reform.

How should minority nationality areas deepen reform? The most important thing is that they must proceed from the reality of minority nationality areas and further emancipate their minds. Before liberation, minority nationality areas were under a system of slavery, serfdom, or feudalism, so the natural economy occupied a dominant position. For this reason, the current productive forces level of minority nationality areas is even lower than that of other areas in the province. In conducting reform and opening up to the outside world, minority nationality areas must proceed from this reality, adopt a practical attitude, give different guidance, and blaze new trails to forge ahead. [passage omitted]

In the course of deepening reform, minority nationality areas must implement the law on regional national autonomy. The law on regional national autonomy is one of China's basic laws. We must treat the law on regional national autonomy as an important part of the publicizing of basic legal knowledge throughout the province. Minority nationality areas must earnestly apply the law on regional national autonomy and develop economic and cultural causes. In accordance with the law on regional national autonomy and based on practical conditions in minority nationality areas, the relevant provincial departments must formulate their own measures on implementing the law. [passage omitted]

Party and government organs at all levels and all party members must fully understand the protractedness and importance of nationality work and push the province's nationality work to a new stage.

**'Political Incident' Takes Place in Xizang**

**Ngapoi Condemns Incident**  
*OW291557 Beijing XINHUA in English 1530 GMT*  
*29 Sep 87*

["Ngapoi Ngawang Jigme Condemns Demonstration in Lhasa"—XINHUA headline]

[Text] Lhasa, September 29 (XINHUA)—"A demonstration by a few individuals here was a serious political incident," Ngapoi Ngawang Jigme, vice-chairman of the Standing Committee of the National People's Congress, said today.

In an interview with *Xinhua*, Ngapoi Ngawang Jigme said, "The purpose of the demonstration was a vain attempt to split the country and undermine Tibet's stability and unity."

"The troublemakers were an isolated group and were not supported by the public," he explained, "and they will be dealt with according to the law."

The demonstration took place at 10 o'clock in the morning, September 27, when 21 lamas and five other people in Lhasa took to the street, carrying a flag of "the snow mountains and lions," a religious icon of Tibetans, and shouting "Tibet wants independence" and other slogans. The demonstrators made agitating speeches at the Jokhang (qoikang) Temple square and then moved on to the regional people's government building.

The demonstrators hit and injured several police officers on the scene trying to maintain public order.

The incident lasted less than an hour and some demonstrators were held for questioning.

The demonstration aroused strong opposition from people on the scene, who condemned the demonstrators as engaging in splittist activities under the cover of kasaya.

Following the incident, local prominent patriotic figures all expressed their strong opposition to the activity.

Raidi, chairman of the Tibet Regional Committee of the Chinese People's Political Consultative Conference, said, "The demonstration runs counter to the interests of the two million Tibetans and will definitely not receive their support."

He called on Tibetans to uphold the patriotic and united banner, fight against any separatist activity, and support the country's unification, while continuing to carry out the reform, opening further to the outside world, and promoting religious freedom.

Xoikang Tubdain Nyima, vice chairman of the Standing Committee of the People's Congress of the Tibet Autonomous Region, said, "Maintaining the country's unity and strengthening the unity of China's various nationalities is the hope of the Tibetans."

He also said, "Actions by a few people are only aimed at splitting the motherland and sabotaging Tibet's excellent situation, and these individuals must be dealt with seriously."

Pagbalha Geleg Namgyai, vice chairman of the National Committee of the Chinese People's Political Consultative Conference, and honorary president of the Buddhist Association of Tibet, Lhalu Cewang Doje and Gongbasa Tudeng Jihan, vice-chairmen of the Tibet Regional

Committee of the Chinese People's Political Consultative Conference, and other well-known figures have also expressed indignation over the incident.

#### **Demonstrations 'Serious'**

*OW291543 Beijing XINHUA Domestic Service  
in Chinese 1408 GMT 29 Sep 87*

[Text] Lhasa, 29 Sep (XINHUA)—A serious political incident, in which a handful of people staged street demonstrations, occurred in Lhasa on 27 September. In an interview with *Xinhua* on 28 September, Ngapoi Ngawang Jigme, vice chairman of the NPC Standing Committee and chairman of the Xizang Autonomous Regional People's Congress Standing Committee, said that this group of people attempted in vain to split the unification of the motherland and undermine stability and unity in Xizang. He emphasized that the troublemakers were isolated and did not have popular support, and that they should be dealt with severely according to the law.

Around 1000 on the morning of 27 September, some 21 lamaists and 5 other people holding banners bearing the insignia of a snow-mountain lion, and shouting "Xizang wants independence" and other such reactionary slogans, demonstrated on Bajiao Street, Renmin Road, and the vicinity in Lhasa City; made inflammatory speeches before the onlookers at the Dazhao Temple Plaza; and then continued parading in front of the autonomous regional government mansion. This bunch of people also beat up some public security personnel maintaining public order at the scene. The public security departments arrested these people for investigation. The incident quieted down in less than 1 hour. Many Tibetan people strongly opposed these people's reactionary activity. Some people pointed out at the scene that this bunch of people "are engaged in splittism while wearing their kasayas."

Well-known patriotic personages in Xizang have commented on the incident. Vice Chairman Ngapoi Ngawang Jigme said: A very small handful of people created this incident. The masses of cadres, people, and living lamas of temples are against it. The troublemakers are extremely isolated. They do not have supporters because they are unpopular. Raidi, chairman of the regional CPPCC Committee, said: The activities of this bunch of people are unpopular because such activities are contrary to the interests of Xizang's 2 million people. He said: We should hold high the banner of patriotism and unity; oppose splittism; safeguard the unification of the motherland; and continue to adhere to the principle of reform, opening to the outside world, and the policy of freedom of religious belief. Xoikang Tubdain Nyima, vice chairman of the autonomous regional People's Congress Standing Committee, said: Safeguarding the unification of the motherland and strengthening the unity of nationalities are the desires of the Tibetan people and are in their fundamental interests. The aim of this group of people is to split the motherland and

disrupt the good situation in Xizang. We must deal with them sternly. Pagbalha Geleg Namgyai, vice chairman of the CPPCC National Committee and honorary president of the Xizang Autonomous Regional Buddhist Association, and Lhalu Cewang Doje and Gongbasa Tudeng Jihan, vice chairmen of the regional CPPCC Committee, also expressed indignation at the acts of these people.

**AFP Cites Eyewitnesses**

*HK300908 Hong Kong AFP in English 0859 GMT  
30 Sep 87*

[Text] Beijing, Sept 30 (AFP)—Twenty-six Tibetans held a demonstration in Lhasa this week calling for independence from China, drawing some 10,000 onlookers, a Tibetan religious official said Wednesday.

It was the first incident of this scale since 1959, Laba Ciren, the vice president of the Lhasa Religious Affairs Committee, said by telephone.

But Western travellers Wednesday cited West German eye-witnesses as saying that some 150 Tibetans took part in the demonstration Sunday, and that some of them were beaten before being arrested by police.

Mr Laba said police arrested 21 Tibetan lamas and five other Tibetans, aged between 20 and 30, following a confrontation in which 27 members of the security forces were injured.

A spokesman for the Tibet Autonomous Region Foreign Affairs Bureau contacted by telephone said: "It seems that foreigners took part in this demonstration."

There were unconfirmed reports here Wednesday that three foreigners had been arrested. Mr Laba, however, denied the reports.

Analysts here said the protest highlighted the anti-Chinese feeling that continues to prevail among Tibetans, especially the young, 36 years after the Chinese invasion.

Beijing has displayed increased religious tolerance towards Tibet since 1979 but has taken a hard-line towards identified partisans of independence, they added.

Observers who have travelled to Tibet noted that Tibetans had until now refrained from publicly voicing their anti-Chinese sentiments out of a fear of reprisals by Chinese police.

Last week, Tibet's exiled spiritual leader the Dalai Lama, who has just concluded a visit to the United States, reiterated a call on China to withdraw from Tibet, and accused Beijing of "serious human rights violations."

He charged that China was attempting to colonise the Himalayan region and subject it to Chinese influence.

China maintains that Tibet has been Chinese territory since the 13th century and that any attempt to encourage independence is bound to fail.

China accused the United States on Tuesday of having made no efforts to prevent the Dalai Lama from carrying out "political activities" on U.S. soil.

Mr Laba said that "some foreigners took photographs of the demonstration, but their films were destroyed" by police.

He said that more than 50 policemen had tried to break up the protest and that others were deployed nearby.

"Two Germans who were there estimated that there were about 150 Tibetan demonstrators. They said that some were beaten by the police before they were arrested," a Western traveller said by telephone.

"All the 26 demonstrators were arrested" following the incident, which lasted about one hour, Mr Laba said. "The demonstrators carried banners and distributed leaflets to the crowds saying 'Tibet wants independence,'" he said.

The Chinese press reported the demonstration Wednesday, calling it a "serious political incident" and "a vain attempt to split the country and undermine Tibet's stability and unity."

"The demonstration aroused strong opposition from people on the scene" and other Tibetan officials, said the Communist Party organ the *People's Daily*.

Mr Laba said a Tibetan had been executed for murder last week and that another had been sentenced to death with the sentence suspended for two years. But he said he did not know if this had provoked Sunday's demonstration.

A Western diplomat said the protest was certain to embarrass the Chinese government, particularly after the successful propaganda campaign in the United States of the Dalai Lama, who has lived in exile in India since 1959.

It also proved that an organized opposition existed in Tibet, despite Beijing's repeated denials, analysts said.

**Xizang Opinion on Dalai Lama Comments Cited**  
*OW232006 Beijing XINHUA in English 1932 GMT  
23 Sep 87*

[Text] Lhasa, September 23 (XINHUA)—"Dalai Lama does not represent the Tibetan people"—this is the comment of Lhasa residents of Tibetan nationality on his latest remarks on an "independent Tibet".



Referring to the remarks made by Dalai in the U.S. Congress, a group of officials in the former Tibetan government called attention to the fact Tibet has been part of China since the Yuan Dynasty (1271-1368), a fact which they say is acknowledged by the world.

"Any attempt to split the motherland goes against the will of the Tibetan people," said Tangmai Duntuicering, 80, vice-chairman of the Lhasa City Committee of the Chinese People's Political Consultative Conference.

"Sweeping changes have taken place in Tibet since its peaceful liberation 30 years ago," he said. "And these changes are recognized by all."

"Returned Tibetans are happy about these changes," Tangmai Duntuicering said. "If Dalai Lama ignores the reality in Tibet, he will surely be opposed by the people."

"I hope that Dalai will stop saying anything hurting the feelings of the Tibetan people," said Qoida, a district economic planning official. "And neither should he do anything to undermine the unification of China."

Dandzin Puncog, dean of the No 1 middle school in Lhasa, says that he has seen the development in education in Tibet since he began his teaching career 24 years ago.

The central government has sent 27 groups of teachers from other parts of China to Tibet since 1975, he says, adding that over the past decades Tibet's education expenditures have increased year by year.

Lhamu Rinchen Odzer, deputy mayor of Lhasa, said that all parts of China, Tibet included, fell victim to the "Cultural Revolution" (1966-76).

"Once closed during that period," he said, "monasteries and nunneries have reopened in line with the government's policy of freedom to believe or not believe religion."

"It is our hope that all Tibetans in China and abroad will get united in fighting attempts to split China and building a new Tibet," he said.

**State To Give Xizang Education Top Priority**  
*HK250954 Beijing CHINA DAILY in English*  
25 Sep 87 p 1

[by staff reporter Liu Dizhong]

[Text] The central government has decided to help Tibet eliminate economic and cultural poverty by giving top priority to the development of its education, communications and energy resources.

The State Council, while stressing self-reliance and less dependence on aid from the central government in general, will allocate 800 million yuan annually to Tibet beginning this year.

Over the past decade, financial help given to the Tibet Autonomous Region, one of the nation's poorest areas, increased by 10 per cent every year.

However, lack of qualified technical and administrative personnel and the low level of education seriously hindered the development of the region's economy. Out of every 10,000 Tibetans, only 753 are in school, compared with the national average of 1,777.

"The key to Tibet's economic take-off lies in the development of its education," said an official of the Tibet Economic Development Consultative Group under the State Council.

With the help of the State Education Commission, middle schools in 16 inland provinces and municipalities have enrolled 4,000 Tibetan children in special classes. Plans have been made to expand the enrollment as special schools for Tibetans will be set up in Beijing, Lanzhou and Chengdu in next two years.

In the five years between 1986 to 1990, 15 per cent of the region's financial expenditure will go to education and more than 10,000 Tibetans will be trained to reach secondary school level or above.

As to communications, the official said it had been decided not to build railways in Tibet because of geographical difficulties. Instead, efforts would focus on the expansion of highways and airlines.

With the capital city Lhasa as the centre, highways within Tibet now total more than 21,600 kilometres, reaching 99 per cent of the region's 76 counties. About 200 million yuan will be invested the next three years to build a 126-kilometre highway connecting Qushui County and Dazhuka, and other short-distance roads.

Tibet has opened two airline routes so far—from Lhasa to Beijing and from Lhasa to Katmandu, the capital of Nepal. With the help of 200 million yuan from the central government, another three lines will be opened in the near future, linking Lhasa with Shanghai, Guangzhou and Xian.

**Ngapoi Concludes Xizang Inspection, Departs**  
*HK300940 Lhasa Xizang Regional Service in Mandarin*  
1430 GMT 28 Sep 87

[Text] After concluding his 3-month work inspection of the region, NPC Standing Committee Vice Chairman Ngapoi Ngawang Jigme left Lhasa for Beijing via Chengdu on the morning of 28 September.

Regional party, government, and Army leading Comrades Raidi, Pagbalha Geleg Namgyai, Mao Ruibai, Lang Jie, Jiang Hongquan, Niu Ruizhou, Zheng Ying, and Jimzhong Gyancan Puncog, and Lhasa City party committee Secretary (Qu Jia) saw him off at the airport.

During his inspection of the region, Vice Chairman Ngapoi Ngawang Jigme presided over the 22d meeting of the regional People's Congress Standing Committee and the 5th session of the 4th regional People's Congress;

inspected Nagqu and Shannan Prefectures; and visited the regional Tibetan hospital, Lhasa's (Fuli) Printing House, the Lhasa Hotel, and the Xizang Guesthouse.

Also leaving Lhasa for Beijing with Ngapoi Ngawang Jigme was Ngapoi Cedain Zhoigar, vice chairman of the All-China Women's Federation.

Before boarding the plane, the 76-year-old NPC Standing Committee vice chairman had a group photo taken with the regional party, government, and Army leading comrades who saw him off to mark the occasion.

**Ye Fei Discusses Taiwan, Overseas Chinese**  
*OW292157 Beijing XINHUA Domestic Service*  
*in Chinese 1449 GMT 29 Sep 87*

[Text] Beijing, 29 Sep (XINHUA)—Ye Fei, vice chairman of the NPC Standing Committee and chairman of the NPC Overseas Chinese Committee, held a reception at the Great Hall of the People this evening to welcome the Overseas Chinese who have come to Beijing to participate in National Day activities.

Wan Li, Xi Zhongxun, Fang Yi, Hu Qili, Huang Zhen, Gu Mu, Zhang Jingfu, Yang Jingren, Zhou Peiyuan, Qu Wu, Lei Jieqiong, and Qian Weichang attended the reception. On behalf of the Chinese Government and the Chinese people, Ye Fei proposed a toast to warmly welcome the Overseas Chinese compatriots and friends who have arrived from all five continents, and to extend holiday greetings to the overseas compatriots who are now residing abroad.

Ye Fei stressed that the Chinese residents overseas are much in the thoughts of the Chinese Government; and that the Chinese Government has always paid great attention to and supported the existence and development of the overseas compatriots. In accordance with stipulations in the Constitution, we will do a still better job in protecting the rights and interests of the Overseas Chinese who are either still residing abroad or have returned to the motherland and their relatives. The Overseas Chinese have always been loyal to the motherland and paid close attention to the motherland's construction undertakings. They have provided valuable support in their power to the motherland from various quarters. On behalf of the Chinese Government, Ye Fei expressed his sincere gratitude to the Overseas Chinese.

Ye Fei said: Early realization of the motherland's reunification is a desire shared by our compatriots both at home and abroad. We have noticed that the Taiwan authorities are in some ways prepared to relax control on people-to-people exchanges across the strait. All measures that facilitate people-to-people exchanges and promote mutual understanding between the people residing on both sides of the strait are always welcomed by us. We have always held that the separation of relatives should be ended as soon as possible, and people on both sides should be free to visit to promote exchanges, while direct trade, navigation, air traffic, and telecommunications should be realized.

He expressed the hope that compatriots in Taiwan, Hong Kong, and Macao, as well as all Overseas Chinese, will make new contributions in promoting the reunification of the motherland.

Over 700 people, including overseas compatriots from all corners of the world, Taiwan compatriots residing in Beijing, compatriots from Hong Kong and Macao, foreign nationals of Chinese descent, returned Overseas Chinese, representatives of relatives of Overseas Chinese, and well-known personages from various circles attended the reception.

**PRC Business, Sightseeing Trips Banned**  
*OW290444 Beijing XINHUA Domestic Service*  
*in Chinese 0659 GMT 28 Sep 87*

[Excerpts] Hong Kong, 28 Sep (XINHUA)—Taipei: In his "administrative report" delivered recently at the "Legislative Yuan," Taiwanese "Premier" Yu Guohua harped again on "no contact, no compromise and no negotiation," alleging that any activity of the people other than visits to the mainland for family reunions is out of the question. [passage omitted]

Facing the "mainland craze" which has appeared on the island recently and the outcry of people of all walks of life to lift the ban on travel to the mainland for family reunions, sightseeing, and direct trade, the Taiwan authorities feel perplexed. Relevant officials of the authorities recently appeared personally more than once to harp on the same string of "no contact, no compromise, and no negotiation," alleging that the lifting of the ban on travel to the mainland is strictly for family reunions. Though in his long administrative report to the "Legislative Yuan" session on 25 September "Premier" Yu Guohua said that only when China is unified can Taiwan have a great future and that "any separatist ideology and any words and deeds of splitting the territories of our country" will bring disaster to Taiwan, yet he repeatedly emphasized Taiwan is under the so-called "period of mobilization and suppressing the rebellion," that the lifting of martial law in the Taiwan region does not signify any change of the authorities' mainland policy, that allowing local residents to visit the mainland for family reunions is considered for humanitarian reasons only, and that "the government will not consider allowing visits to the mainland for reasons other than family reunions." [passage omitted]

Taiwan's "Minister of Economic Affairs" Li Dahai also scared Taiwan's industrialists and businessmen by saying that even though the authorities have decided to lift the ban on travel to the mainland for family reunions, the basic policy on economic relations and trade with the mainland remains unchanged and direct trade with the mainland is still strictly banned and that "firms should restrain themselves to avoid going against law."

**Exchange of Mail Between Fujian, Taiwan**  
*HK300823 Hong Kong ZHONGGUO XINWEN SHE*  
*in Chinese 0234 GMT 25 Sep 87*

[By reporter Chen Guoming (7115 0948 2494)]

[Text] Fuzhou, 25 Sep (ZHONGGUO XINWEN SHE)—Interviewed by a reporter a few days ago, Shang-guan Qiwen [0006 1351 0796 2429], deputy director of the Fujian Provincial Posts and Telecommunications Bureau, said: "Fujian's posts and telecommunications departments have made good preparations; as long as the



Taiwan authorities agree, mail between the two coasts of the strait, which has been cut off by an artificially imposed barrier for the past 30-odd years, can be immediately exchanged."

Shangguan Qiwen said that Fujian and Taiwan are as close as lips and teeth, can communicate with each other through their language, and have identical customs. Southern Fujian is also the land of the ancestors of Taiwan compatriots. In recent years, some 100 letters have entered Fujian from Taiwan a year after going through many places. The majority of the addresses of the recipients of these letters have changed; these recipients have either moved or died. When mail carriers come across such letters, they always conscientiously and meticulously go from street to street and from door to door to do everything possible to forward the letters to the recipients or their relatives.

Regarding the phone calls made from Taiwan or through foreign countries by people who have gone to Taiwan or by Taiwan compatriots to look for their relatives, even if the receiving party is in a remote mountainous area, the telecommunications personnel always try every means to notify him of a phone call to allow relatives at the two coasts who have lost track of each other for several decades to communicate with each other by telephone.

In dealing with preparations for the exchange of mail between Fujian and Taiwan, Shangguan Qiwen said that the posts and telecommunications work of Fujian Province had developed quickly. At present, Fuzhou, Quanzhou, Xiamen, Zhangzhou, and Jinjiang County have installed 62,500 sets of program control telephones, resulting in direct dialing with 17 countries, including the United States, Japan, Britain, France, and the FRG, and in unimpeded telephone lines with Hong Kong. Telegrams from the province can reach some 100 countries and regions around the world. Fuzhou and Xiamen have operated facsimile business with Hong Kong. In postal work, Fujian has started express parcel service, and urgent parcels can reach Hong Kong the same day. At the beginning of this year, Fujian commenced the work of mailing tape-recorded messages and this work will be extended to foreign countries next year.

Shangguan Qiwen said that two telephone exchanges have been set up in Fuzhou and Xiamen, which can communicate with all countries in the world at all times and can establish direct dialing with Taiwan. Two cities, Fuzhou and Xiamen, have built modernized postal pivotal centers; one has been put into operation in Xiamen and the other will be completed and made available to users in Fuzhou in the first half of next year.

**Naval Forces Drive Off PRC Fishing Boats**  
*OW291904 Taipei CNA in English 1538 GMT*  
29 Sep 87

[Text] Taipei, Sep. 29 (CNA)—The Ministry of National Defense said Tuesday that in September alone it has driven off hundreds of mainland fishing boats intruding into waters around Taiwan, Penghu (the Pescadores), and the frontline islands of Kinmen and Matsu.

Other measures adopted by the nation's naval forces include detaining and checking the intruding fishing boats, the ministry said in response to National Assemblyman Tai Hsing-ti's suggestion.

Tai proposed that the Defense Ministry pay special attention to the Chinese Communists' evil ploys, which attempt to entangle the propellers of the nation's patrol boats in the nets of the trawlers through which the boats maneuver.

According to the ministry's tally, 915 mainland fishing boats intruded into waters off Kinmen and Matsu between Sept. 22 and 28. The intruding boats left the waters after the troops on the frontline islands fired 1,130 bullets and 26 shells to warn them off.

Meanwhile, from Sept. 8 to 28, more than 33 mainland fishing boats intruded into the waters near Taiwan and Penghu. The ROC [Republic of China] naval forces drove off 26 of them and detained seven. Altogether 2,600 bottles of wine, herbal medicine, cigarettes, tea leaves, and other mainland products were confiscated in the crackdowns.

**'To Get Tough'**

*HK300922 Hong Kong AFP in English 0842 GMT*  
30 Sep 87

[Text] Taipei, Sept 30 (AFP)—Taiwan is to get tough with mainland Chinese fishing boats found inside its 20 nautical mile security zone, press reports said Wednesday.

The *United Daily News* said the Navy had recently submitted a report charging that the policy of forcing Chinese boats to leave the zone was ineffective and undermined its combat readiness. The Chinese boats simply returned and the Navy was wasting its efforts, the report said.

The government has decided that from now on the security forces can inspect or detain any mainland fishing vessels found inside the security zone, the newspaper said.

If the Chinese boats were found to have come on reconnaissance missions or to trade, the security forces would take them in for interrogation and confiscate any goods, it said.

Navy vessels could open fire if the Chinese boats resisted, the newspaper said.

Official statistics have shown that some 30 Chinese boats entered Taiwan's security zone between September 9 and 29.

The National Defense Department said Wednesday that most Chinese boats coming close to the security zone were trawlers.

The security forces were also keeping a general watch on all foreign fishing vessels entering Taiwanese waters, the newspaper said.

**GIO Charges Reporters Who Visited PRC**  
*OW291639 Taipei CNA in English 1514 GMT*  
29 Sep 87

[Text] Taipei, Sept. 29 (CNA)—The Government Information Office [GIO] Tuesday referred the case regarding the mainland trip by two *Independent Evening Post* journalists to the Taipei District Prosecutor's office for investigation and prosecution according to law. It also served notice on the Bureau of Entry and Exit to stop accepting applications for trips abroad by the paper and its personnel.

GIO charged the evening paper with forging documents with the intent to deceive government officials, thus violating Article 214 of the Criminal Code. The newspaper sent two reporters via Tokyo to cover news on the China mainland from Sept. 14 to 27 without obtaining prior government permission.

**New Regulations on Mainland Family Visits**  
*OW291819 Taipei CNA in English 1441 GMT*  
29 Sep 87

[Text] Taipei, Sept. 29 (CNA)—The Government of the Republic of China is actively preparing regulations to govern the private visits of local residents to their relatives on the Chinese mainland, based on the three basic principles of its mainland policy, Minister of the Interior Wu Po-hsiung said Tuesday.

The regulations will be made public as soon as they are completed, Wu said. He was responding to an interpellation from Legislator Liao Fu-pen.

The three principles are:

— The basic anti-communist national policy and efforts to recover the mainland will not change;

— In the face of Chinese Communist plots and hostility, the government should especially care for national security; and

— The government respects ethics and a humanitarian spirit.

As the mainland problem is basically a domestic problem, the mainland visits are to be overseen by the Ministry of the Interior, the minister said.

**Economics Ministry Warns on Mainland Trade**  
*OW300303 Taipei CNA in English 0234 GMT*  
30 Sep 87

[Text] Taipei, Sept. 30 (CNA)—The Chinese Communist regime frequently uses trade as a united front tactic, and the Republic of China's businessmen should guard against it, Vice Economics Minister Hsu Kuo-an warned Tuesday.

"National security is much more important than economic interest," Hsu stressed. Hsu made his warning after a few local entrepreneurs and scholars openly endorsed direct trade with the mainland.

Hsu said he was worried about the recent assertions by some people that the private sector does not have to abide by the nation's established "Three No's" policy—no contacts, no negotiations, and no compromise—toward the Peiping regime. Once the psychological defense line breaks down, the consequences will be disastrous, he warned.

**Commentary Views Ban**

*OW291103 Taipei International Service in English*  
0200 GMT 29 Sep 87

[Station commentary: "Ban on Mainland Trade To Stay"]

[Text] With the ban on visits to mainland China soon to be lifted, businessmen in the Republic of China [ROC] on Taiwan are scurrying to learn more about the mainland market, in hopes that the day when the trade ban is lifted will come soon, too.

But Vincent Siew, director of the ROC's Board of Foreign Trade, so much as told businessmen here not to hold their breath; the ban on direct trade with the mainland will not be lifted any time soon, Siew said at a press conference last week.

But some businessmen still seem to have their hopes up. A local Chinese paper, *The China Times*, has reported on several occasions in the past few weeks that some businessmen are not only collecting investment information on the mainland market, but are also getting ready to change their product lines to suit that market.

One industrialist here made the news when he said he was ready to begin producing cheap color TV's for mainland consumers. It seems many others like him are preparing to get a jump on the competition if and when the ban on direct trade with the mainland is lifted.

That these businessmen are willing to take the risk that an opening will occur is somewhat understandable. For one thing, they see openings in other areas as signs of an overall liberalization trend, despite the warnings of Vincent Siew and others that trade is outside the parameters of this trend. Secondly, businessmen here are taking a beating financially thanks to the drastic appreciation of the Taiwan dollar, which has slowed exports here. Many businessmen are eyeing the mainland market as their export salvation, and cannot wait to tap into the abundant resources of cheap labor there.

But Vincent Siew and other government officials and experts are cautioning businessmen. In his statement the other day, Siew reminded businessmen that the government's ban on trade with the mainland has more to do with business realities than politics. Siew said that the ban is not only a national policy, but also a measure to protect the local businessmen from great harm. He explained that Communist China does not adhere to standard international trade rules and that it is very unreliable in its trade dealings. He noted that businesses run the risk of suffering heavy losses as a result of persistent delays in delivery, shoddy quality of goods and refusal of payment. To make matters worse, he said, there is no way to handle letters-of-credit between the two sides. Even if trade were allowed, the ban on official contacts would prohibit such dealings by banks.

Siew reiterated that the government's position is not just a whim, but is based on a well-researched and thorough study of the mainland economy. He urged businessmen to resist jumping to conclusions about the mainland market for reasons of expediency.

Siew's advice notwithstanding, many businessmen are still clamoring to have the right to do business with the mainland. They see themselves at a disadvantage if they must continue to go through a third party to trade with the mainland, and many think direct trade with the vast mainland market would do the Taiwan economy much good.

But for now, the risks may outweigh the benefits, as Vincent Siew points out. And that is exactly why the ban will remain in effect.

**Foreign Minister Stresses Hong Kong Status**  
*OW292359 Taipei CNA in English 1454 GMT*  
29 Sep 87

[Text] Taipei, Sept. 29 (CNA)—Foreign Minister Ting Mou-shih reiterated Tuesday that Hong Kong is a part of the territory of the Republic of China [ROC] and its sovereignty belongs to the Republic of China.

"The Government of the Republic of China will not recognize any agreements signed between the British Government and the Peiping regime," Ting stressed.



The foreign minister was answering an interpellation by Legislator Ma Ke-jen. [words indistinct]

The ROC Government [word indistinct] the liberty, security and welfare of all Chinese compatriots living in Hong Kong and Macao and will energetically work out countermeasures to safeguard their welfare and security.

In response to a proposal to open Kaohsiung as a duty free port to take the place of Hong Kong after 1997, Ting said the proposal is being studied by government agencies.

**FPPA Activists Fail to Appear in Court**  
*HK291113 Hong Kong AFP in English 1110 GMT  
29 Sep 87*

[Text] Taipei, Sept 29 (AFP)—Two members of the newly-formed Formosan Political Prisoners Association (FPPA) subpoenaed for advocating independence for Taiwan failed to appear Tuesday. But about 100 of their supporters showed up and held a sit-in protest in front of the Prosecutor's Office of Taipei High Court.

Tsai Yu-chuan and Hsu Tsao-teh filed a request through their lawyers for a postponement of their case on the grounds that they need time "to take care of home affairs and say farewell to relatives" before being ready "to be imprisoned for Taiwan's democracy movement".

Their lawyer, Li Sheng-feng, told journalists: "Judging from previous experience they will very likely be taken in right after the arraignment." They face sedition charges and, if convicted, a minimum five year jail term, he added.

During the FPPA's inaugural meeting chaired by Mr. Tsai August 30, Mr. Hsu proposed revising a clause to read "Taiwan should be independent". The motion was passed and the clause adopted.

It was the first time that any civil group or political party in Taiwan had publicly advocated independence for Taiwan in writing, in contravention of Article II of the National Security Law, which says no civil group should advocate communism or the secession of national territory.

The ruling Kuomintang insists it is the only legitimate government of China and views the advocacy of a Taiwan independent from the Chinese mainland as separation of territory.

Meanwhile, Chiang Peng-chian, chairman of the opposition Democratic Progressive Party (DPP) and an honorary member of the FPPA, called on the ruling party to end "the abuse of legal authority".

Mr. Chiang maintained that the Kuomintang's policy is merely a manifestation of political belief and charged that "the investigation itself is a humiliation to freedom of speech".

The DPP, which celebrated its first anniversary Monday, says Taiwan's future should be decided by its 20 million residents in the spirit of "self-determination"—a term that has largely been tolerated by the government.

## Hong Kong

### U.S. Protectionism Still Seen as Threat

HK300505 Hong Kong HONGKONG STANDARD  
(BUSINESS STANDARD) in English 30 Sep 87

[By Sandra Bucovaz]

[Text] Hong Kong, despite its model free trade reputation, will be bundled together with other nations in pending trade and textile legislation in the U.S.

Director of Trade Michael Sze yesterday said it would be "inconceivable for the U.S. Congress to try and separate Hong Kong" from other trading partners in the general wording of what was likely to be more restrictive new laws.

But the territory will continue aggressively to promote its free trade philosophy—to enforce the distinction between it and the more closed markets of Japan, South Korea and Taiwan—in the hope of gaining compensation in other ways.

To that end, the Trade Department and Trade Development Council [TDC] yesterday unveiled its newest promotional tool—a 15-minute documentary featuring American business leaders in Hong Kong telling the territory's free and fair trade story and the fact that its door was always open to U.S. imports as well as being a gateway to China.

The documentary, which cost about \$480,000 to produce, has been earmarked already for at least 100 screenings in the U.S. in the near future. It will be distributed to TDC and Hong Kong Government offices in the U.S. for showing to a wide range of influential audiences, including congressmen, politicians, and business groups and retailers across the nation.

Talks were underway also with national television networks, Mr Sze said.

The documentary was screened in the U.S. for the first time last week. Its release was timely given the current progress of trade legislation in the U.S. and also the fact the trade issue will hot up even more as a political platform in the run-up to next year's presidential election.

With reference to the general trade bill under joint discussion by the Senate and House of Representatives in conference, Mr Sze said the legislation would not be passed in its current protectionist form.

"But whether the bill in its final analysis will be acceptable to the president is yet to be seen."

### Councillor Urges Turning Refugees Away

HK300449 Hong Kong SOUTH CHINA MORNING  
POST in English 30 Sep 87 pp 1, 2

[By Terry Lee]

[Text] Conservative Legislative Councillor and shipping executive Dr Helmut Sohmen yesterday urged the Government to refuse asylum to Vietnamese refugees.

He also called for the scrapping of the Government's controversial closed camp policy and the integration of the existing refugee population into the community.

Dr Sohmen acknowledged in an interview with the *South China Morning Post* his proposals might attract criticism as being inhumane.

But the possible hardship caused to "those unfortunate new arrivals" should be judged against the "misery of life for many thousands housed in camps for many years with diminishing hopes for resettlement".

He added: "The deterrent effect of the news that Hong Kong is no longer willing to act as a port of refuge is also likely ... to be stronger than the fear of ending up in a Hong Kong closed camp.

"The message will undoubtedly be heard loud and clear among other potential refugees (in) Vietnam."

Dr Sohmen's stand reflects the growing frustration among Legislative Councillors at the apparent inability of both the British and Hong Kong authorities to come up with a long-term solution to the refugee problem.

There are indications that Dr Sohmen's hardline view is gaining acceptance in political circles, including members of the Legislative Council's ad hoc group on Vietnamese refugees, which is chaired by Mrs Rita Fan.

Dr Sohmen said the out-cry over his proposals would be reduced if precautions were taken to ensure that the lives of those turned away were not endangered.

"This sounds inhumane and in the short term, may cause considerable criticism both locally and abroad on moral grounds.

"(But) such criticism could be blunted by ensuring that VRs (Vietnamese refugees) are not turned away and/or forced to continue their journeys without adequate measures being taken to safeguard their lives at sea through the supply of seaworthy craft and sufficient provisions and equipment where necessary.

"This may also create some administrative inconvenience but the overall expenditure will likely be much less than the annual operating costs of the VR camps," he said.

Dr Sohmen said he supported scrapping the closed-camp policy—introduced in 1982 in a bid to deter refugees from setting out for Hong Kong—because it had been a failure.

The camps had also attracted the criticism that they were prison-like and costly to operate. The bottom line, he said, was that the deterrent effect was not working.

"It has even been suggested that camp conditions for VRs in Hong Kong may be preferable to their normal living conditions in Vietnam," he said.

Dr Sohmen, who is an appointed Legco [Legislative Council] member and chairman of Sir Y.K. Pao's World-Wide Shipping Group, accused the Government of adopting a double standard in the treatment of Vietnamese refugees and Chinese illegal immigrants. The latter were repatriated while the Vietnamese were allowed to stay.

He also criticised the criteria for accepting boat people, saying that "clearly many of them are no longer refugees fearing political persecution but leave their home country for economic reasons".

International efforts should begin to persuade the Vietnamese Government to end the exodus, he said.

Dr Sohmen suggested that the Hong Kong and British Governments, in conjunction with other nations, should offer political and economic assistance to Vietnam to eliminate the conditions that were causing refugees to leave.

"While the political and diplomatic difficulties in doing so at the present time are well understood, they are not insurmountable," he said.

Hanoi was becoming more receptive to foreign assistance to rebuild its economy and with persistence, Britain and other nations might succeed in restoring bilateral relations and eventually lessen tensions in the region, he said.

"The ultimate solution must of course be a global one but it will never be reached if we do not start with small steps, even somewhat painful ones for a number of unfortunate individuals," Dr Sohmen said.

"It may be beyond Hong Kong's capabilities and legal authority to provide leadership, but we might as well use our current frustrations to best effect in a renewed effort to force serious international attention on to this problem with a new angle of attack."

**District Board Members Oppose 1988 Election**  
*HK300641 Hong Kong ZHONGGUO TONGXUN SHE*  
*in Chinese 1005 GMT 23 Sep 87*

[By reporter Zou Zongbin (6760 1350 1755)]

[Text] Hong Kong, 23 Sep (ZHONGGUO TONGXUN SHE)—According to the relevant statistics of the 19 district boards in Hong Kong, in the successive meetings called by the district boards on the "Green Paper: The 1987 Review of Developments in Representative Government," of the 426 Hong Kong, Kowloon, and New Territories district board members, 118 explicitly expressed support for some directly elected members in the Legislative Council in 1988. Meanwhile, 166 members explicitly expressed their opinion not to support holding a direct election in 1988. Excluding the absentees, the majority of the other district board members have not yet made their opinions known.

According to the speeches and materials concerning the discussions about the review of the developments in representative government provided by the secretariats of all the district boards, a total of 284 members have aired their views on the issue of direct elections in 1988, accounting for 67 percent of the total number of district board members, of whom about 27.7 percent favor and about 39 percent oppose holding a direct election in 1988.

Judged in terms of areas, of the 246 members of the 10 district boards in Hong Kong and Kowloon, 78 express support for a direct election in 1988, or about 31.7 percent, and 76 do not support a direct election in 1988, or about 30.9 percent. Of the 180 members of the 9 district boards in the New Territories, 40 express support for a direct election in 1988, or about 22 percent, and 90 do not support a direct election in 1988, or about 50 percent of the total.

In the meetings of the 19 district boards, members of Yuen Long and outlying islands did not favor a direct election in 1988. However, in Sham Shui Po, 18 district board members support and 9 do not support a direct election in 1988; and in Kowloon City, 2 support and 18 do not support direct election. In the other districts, the pros and cons are well-matched, or one side holds a slight upper hand.

Most of the members favoring a direct election in 1988 believe electing some Legislative Council members directly in 1988 is in keeping with the principle of proceeding in an orderly way and step by step. Some district board members opposed to holding a direct election in 1988 maintain that the time is still not yet ripe in 1988 though they support direct elections in principle. Although some believe that it is not appropriate to hold a direct election in Hong Kong, they did not make their views clear at the meetings. Some said that the decision should be based on the opinions of the Hong Kong people; some said that they would only air their views at a more appropriate time; and some did not touch this issue in their speeches. Some district board members did not attend the meetings for some reasons.



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